



“Kaya Limited
Q4 FY2021 Earnings Conference Call”

May 19, 2021



Dolat Capital



ANALYST: MR. SACHIN BOBADE - DOLAT CAPITAL PRIVATE LIMITED



Kaya Limited
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MANAGEMENT: MR. RAJIV NAIR – GROUP CEO - KAYA LIMITED
MR. VIKAS AGARWAL – CEO - KAYA MIDDLE EAST
MR. SAURABH SHAH – CFO – KAYA LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY2021 Earnings Conference Call of Kaya Limited hosted by Dolat Capital. 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. Sachin Bobade from Dolat Capital. Thank you and over to you, Sir.

Sachin Bobade: Thank you. On behalf of Dolat Capital, I welcome you all to the Q4 FY2021 Earnings Conference Call of Kaya Limited. Hope you and your family are safe during the second wave of pandemic. From the management side we have with us Mr. Rajiv Nair – Group Chief Executive Officer; Mr. Vikas Agarwal – Chief Executive Officer, Kaya Middle East and Mr. Saurabh Shah – Chief Financial Officer. Now, I hand the floor to the management for their opening remarks and then we will have question and answer session. Over to you Sir!

Saurabh Shah: Thank you. 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 the fourth quarter performance of Kaya Limited, which is already in public domain and uploaded in our website www.kaya.in.

Kaya Limited posted consolidated revenue from operation of Rs.89.2 Crores for the quarter ended 31st March 2021, a growth of 2% over corresponding quarter ended 31st March 2020. Consolidated EBITDA is Rs.19.1 Crores in Q4 FY2021 as compared to Rs.10.9 Crores in Q4 FY2020. 73 clinics in India and 23 clinics in GCC region were operational and open for customer with high safety protocol during Q4 FY2021. 50% of our clinic staff has been inoculated with the first dose of COVID-19 vaccine in both region. Collection in India on SSG basis grew at 14% in Q4 FY2021 as compared to previous year. Sequential growth of 14% of previous quarter. Collection at clinic in Middle East region grew by 12% at constant currency in Q4 FY2021 as compared to Q4 FY2020. In India, like to like customers found in Q4 FY2021 was around 95% of last year and ticket size grew by 33% in Q4 FY2021 as compared to Q4 FY2020. In Middle East, customer

count in Q4 FY2021 was at 101% of last year and ticket size grew by 12% in Q4 FY2021 as compared to Q4 FY2020.

Business in India, SSG has been rebound in segments like hair grooming which grew by 49% and de-aging which grew by 26% and beauty facial grew by 22% and acne grew by 40% as compared to Q4 FY2020. Middle East segment seen rebound in which clean concern grew by 11% and anti-ageing grew by 14%, body solution grew by 97% and hair grew by 4% over Q4 FY2020. E-commerce business in Q4 FY2021 grew by 29% over Q4 FY2020. Kaya India profit after tax for the Q4 FY2021 is INR 1.2 Crores as compared to loss of INR 6.2 Crores in Q4 FY2020. Consolidated loss after tax for Q4 FY2021 is Rs.1.1 Crores as compared to loss of Rs.15 Crores in Q4 FY2020. Kaya has entered an exclusive arrangement with Cure.fit in the skin and hair service space and the same are now available curefit app in Bengaluru, Hyderabad, and Chennai. The company plans to scale up this partnership pan India in coming quarters. Kaya India is in process of revamping its digital assets including B2C website and applications, focus on both market was on safety for employees and client while opening the clinic during COVID-19. The business had adopted the highest of COVID-19 compliance and thus implementing the marketing line with WHO guideline. The beauty, wellness and personal care retail industry has been adversely affected by various factors including the spread of COVID-19. This unprecedented destruction had an adverse impact on performance during the year and continues to impact the business. In this crisis our priority is we will have to protect the employees and family from COVID-19 besides our customer visiting our clinic and society associated. We do not anticipate risks to business prospect over the medium to long term. The group has evaluated impact on its business operations and financial position based on its review of current indicators of future economic condition, management has created various pillars in response to COVID-19 such as business continuity, managing cost and cash flow for E-commerce, accelerating technology, transforming work base and safety measure. The detail information update is already with you.

I now open the session for questions and my colleague and I would be glad to answer them. Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Chirag from Aadinath. Please go ahead.

Chirag: I have a couple of questions. Like what is strategy we put in place to transforming our business from service-oriented business model to product-oriented business model?

Rajiv Nair: As I mentioned even in my previous call, the intention is to increase the contribution of product business and we do believe in comparison to pre-COVID period where physical retail, GT/MT was an important channel, we have focused a lot more on digital channels and we are increasing our inputs on e-commerce till now only with partners, retailers like Amazon and Nykaa on the e-commerce channel but very soon we will also be introducing a completely revamped digital website of Kaya which will be our D2C website which will have a lot of information about our product, product usage, services as well and that will become one of our core areas to distribute our products and through that website we can reach out to a large part of our country including smaller cities and towns so in the next quarter we will be launching the B2C website, currently work is under progress and we will continue our partnership with people like Amazon, Nykaa, Myntra, Flipkart, etc., within a week we will also see our products getting listed on sites like Curefit where also we do believe there is synergistic partnership and we will be selling products on the Curefit platform as well so one is our own D2C website, our own clinics, at the same time a lot of partnership in the digital space. That is how we believe we can revamp products.

Chirag: Like to increase footfall for our product in general and modern trade do we have physical tie-up with other than stores what strategy going forward to increase the tie-up and association with distributor in general trade and modern trade category.

Rajiv Nair: Currently I think we have developed pause through the GT/MT because of the COVID scenario around us. We did have distributors in all the major cities. We have currently given a pause because their secondary retailers have reduced over the last six months because of the pandemic and lot of retailers getting into financial trouble and that is the reason and also lot of returns coming back during this period into the business which makes the model a little unviable, but we are

only giving it a pause right now. The minute market opens up and we do believe there is better uptake in GT/MT channels we will revive that business opportunity. We have distributors in all the major cities of India as of now, but we are currently putting a pause on that channel.

Chirag: Okay like any strategic joint venture or any such plan going forward?

Rajiv Nair: Little early, couple of considerations, but I would, may be announce that you as and when it fructifies at this stage I do not want to announce it. We do have some distribution opportunities coming but only when they are done I will be able to get back to you.

Chirag: Okay Sir, all the best. Thank you.

Rajiv Nair: Thank you.

Moderator: Thank you very much. The next question is from the line of Ravi Kumar an Individual Investor. Please go ahead.

Ravi Kumar: Just like want to know the debt position and cash position?

Saurabh Shah: The debt position from external bank in Middle East is around 14.62 and there is a loan from promoter which is around 24.69. Cash position in India is around 13 Crores and Middle East around 10.5 Crores.

Ravi Kumar: Okay, thank you.

Moderator: Thank you very much. The next question is from the line of Shomesh Kumar an Individual Investor. Please go ahead.

Shomesh Kumar: I have two questions. One is that any plans to get into tele-consultation and second is any new procedures to be introduced in the clinic?

Rajiv Nair: A couple of things one is on web consultation we have actually started work with a lot of partners during the pandemic in the last year when we had a closure of clinics and actually our doctors were not in the clinic. We did more than 6000 consults with companies like MFine in the last six months and all our doctors

reached out to almost 200 different cities. We have got 85 doctors in India we reached out to about 200 cities through the web consultation route. We are building the capability of web consultation on our direct to consumer website and that will be ready by the end of first quarter early next quarter so I would say July we will have it ready and that will give us capability to directly consult customers from the clinic to anywhere in the country so that will be something that we offering as a service that will be the first line of consultation. If the customer really wants a detailed consultation we would invite them over to respective clinics if they are physically located closer to the clinics and that will be something that we will promote so web consultation for sure will be an important part our consult. What is the other question you had sorry, second one.

Shomesh Kumar: The other question was that is there any new procedures to be introduced in the clinic?

Rajiv Nair: Both in India and Middle East we have lot of focus on innovation so for example in the case of anti-aging we have come up with machines which are called high-frequency ultrasound HIFU, these machines have been already introduced in about 5 clinics which are actually high-end anti-aging treatments for skin tightening we have also come up with a medifacial because people are not preferring physical contact facial so machine-based facial which is called as Oxygenio. It is a Korean machine that we have brought in we have also come up with high-end injectable, a brand called Profilo which is at the premium end of injectables for consumers which again is for anti-aging purposes. We are also training a lot of our doctors in using threads, threads are skin tightening procedure very popular in the Far East which some of our leading doctors, our Head of Medical is an expert at threads and that is something that we are promoting across all our doctors in the country and training all of them on the same. As far as services are concerned, these are the main services. In addition we are changing our protocols and pricing for our acne services to make it more affordable, accessible to customers because during the pandemic we have also seen that lot of people are coming with acne concerns into the business, maybe because of mask wearing habits it is something that we are trying to address but at a much lower cost than what we were doing in the past. In the Middle East as well we have new services we have been plastic surgery fairly successfully in the clinic in the last one year. We have body contouring services

which are being done which is again skin toning, skin tightening services so that is another area that we are working on in the Middle East and I would actually ask Vikas to maybe I do not know specifics on that area, so over to you Vikas.

Vikas Agarwal: Thanks Rajiv. Our focus of innovation basically is on hair, body, and plastic surgery. We launched plastic surgery a year-and-a-half back and we have made quite a headway last year on the vertical Body Contouring is the other area where we are going big. We have body services in almost seven to eight clinics already, with machines like EMSCULPT, coolsculpt, which are scientifically advanced and proven technologies across the world We do not just give a machine based solution. The key is combining different solutions to give the best results.. Body Contouring taps into areas like fat reduction, toning, sculpting, etc . Hair is another area of focus for us, when it comes to innovations. We launched a new service ‘hair cell’ in Q4. We launched DNA hair therapy, and hair botox & fillers.. While these are the biggest focus areas, we continue to innovate & upgrade in our core portfolio of skin. Every quarter, there are launches and upgrades, to be continuously ahead in the category, when it comes to efficacy.

Shomesh Kumar: Thank you very much Sir.

Moderator: Thank you very much. The next question is from the line of Manuj Alimchandani from KFRS. Please go ahead.

Manuj Alimchandani: Again, Saurabh, a few, on a continuous ongoing basis over several con calls and over meets also it was articulated that Kaya would be transformed into a digital cum physical healthcare company with multiple verticals and engagements with consumers and patients. Now how is the transformation taking place this year there has been a major boost of transformation into digital well being and apparently from the numbers it is not visible although a few often remarks we are hearing about the websites setting up over multiple locations from clinics what about from homes and what is the transformation is there a change on an accelerator mode if you can have much more information on that on your presentation and also in today’s meeting that would be helpful?

Rajiv Nair: A very good question and I completely agree with you that digital is the way forward we have taken some steps in the form of our e-commerce business over

the last few years in terms of digital. This year we will be setting up a strong website for Kaya which will come up very soon and that will cater to e-commerce requirements of sale of products but also will be a very strong play for us in terms of expanding our services portfolio because it will also enable customers to book services online, purchase online and book appointments online which today are very manual processes based on calling customers it will all get replaced with this. We are also going to automate a lot of customer communication in the form of chat bots and other tools which will make interaction with Kaya possible even when the clinics are shutdown in the evenings so that is something that we are doing web consultation is the other area that we will be launching as part of our D2C website. Fourth is collaboration, so companies like Curefit which are in the internet first companies we are going to collaborate with people like that .The first partnership is with Curefit which has got presence pan India where they will actually be selling our services online on their platform. To top all of this we also building a separate vertical within our business with a business head brought in place who will be looking after all our digital initiatives so even from a structure perspective we are changing the organization otherwise in the past the operational team and the marketing team would be looking at this digital innovation now we will have separate member responsible for digital initiative in the business . We have already launched Curefit in Bengaluru and 5% of our business in Bengaluru has already moved through the Curefit tie up. Hyderabad and Chennai have also been launched but as soon as current shutdowns are closed in the sense clinic start again Delhi and Mumbai will also be the services of Kaya will be available in Curefit platform. So that is another example of collaboration that we are doing. So all in all in I think the contour of where digital is actually moving but I would say I agree with you the pace at which lot of initiatives can be taken in digital in India we are also cognizant of it and you will see certain things unfold over the next few quarters.

Manuj Alimchandani: I have a followup question do you have the, normally we used to have the global CEO as well as the domestic and overseas CEO in the calls, do we have that?

Saurabh Shroff: Rajiv is our Global CEO and Vikas Aggarwal is the Middle East CEO.

Manuj Alimchandani: Now another followup question talking about this digital transformation both digital, physical and patients and consumers, now Saurabh mentioned about digital senior level officer this needs a significant investment and apparently from the numbers we see why there is hesitation in making investment, this would need investments of 5000, 200 Crores is nothing because ultimately we can get huge market share and is a huge market and we have been front runners in this business with so many years of experience in consumer engagement and it is not only accelerator mode, we have to invest to reap the benefits and international companies are reaping the benefits lots of Indian companies are on the fast forward mode and digital so is there any hesitation in investment because of some fear or if you can highlight another thing is the digital team what is the size of the digital team we need to have not only a senior digital person we need to have a significant size of digital team to capture the opportunities available and apparently any market survey you look at it there are huge unlimited practically opportunities in the space we have been addressing and also multiple verticals coming up because of the consumer and patient engagement experience we have got.

Rajiv Nair: Feedback noted, I do not think there is any hesitation, the quantum of investment I will not be able to talk about right now but I think the path towards digital transformation is something that has been accepted, agreed, and even at the board level discussed over the last few meetings that we have been doing and the reason to bring on board a digital head is to build structure of our digital forward businesses which would be with Kaya, inside Kaya Clinics, online with Kaya or through collaboration that is something that you would be setting in. I mean the detailed contours of all that I will be able to discuss with you over the next few calls but at this stage we have set in motion a change in structure so that will make the initiatives start in the business.

Manuj Alimchandani: Good, I wish you and the team all the best and I suggest you add a few more slides on digital transformation in the presentation.

Rajiv Nair: Absolutely agree and I am with you on that completely.

Manuj Alimchandani: Thank you.

- Rajiv Nair:** Thank you.
- Moderator:** Thank you very much. The next question is from the line of Ishit Sheth from Anvil Wealth Management. Please go ahead.
- Ishit Sheth:** Good evening. Thanks for taking my question. Hope all well with all of you all. Sir just a couple of questions. First question is basically on the digital side just following up on previous speaker's question I think we discussed this maybe a year or couple of years back also there is a company in US called Ulta which has basically a multi brand kind of platform so when we talk about our website as your said initially we will be starting with Kaya Products which can be sold through our website or through our clinic so are we looking at a multiproduct kind of a website on this digital side?
- Rajiv Nair:** Not really Ishit at this stage I think the D2C opportunity does exist in India while D2C may have matured a bit in the western market and in some cases the D2C is probably coming down a bit in those markets we are actually trying to build a website which will be quite user friendly and use technology like artificial intelligence where people can asses their skin, understand their skin concerns and make informed decisions to buy services and products through the website so that's something that we are currently working on at this stage it is supposed to be completely Kaya-owned brand website and not supposed to be a multi branded website whenever in future opportunity presents then we will definitely do so some exclusive partnerships but at this stage we are currently looking it s a purely as Kaya.com website.
- Ishit Sheth:** Sure do not you think it will drive a lot customer traffic if we have a multiple brand kind of..
- Rajiv Nair:** Possible but then there are so many horizontal & vertical players that are there in the market in the e-commerce space it may not create huge differentiation unless the brands that you are talking about are completely exclusive with us. There is a possibility at certain premium levels of brands for example in western markets which are willing to work with us on an exclusive basis. For example in the Middle East we are buying some product which are being sold in our clinic which are premium, super premium, in those spaces you will have some players which

are slightly smaller in the western product but want to partner with you exclusively but at this stage premature for me to give you any insight on whether we can do those partnerships or whether we will. I am just taking your point on board I have heard you before also on this subject, but at this stage we are looking at Kaya.com as purely Kaya.

Ishit Sheth:

Thanks a lot. Second question I wanted to ask is how are we positioned for this round of lockdown I understand we navigated last lockdown how are things placed in India and Middle East a little brief one, how many stores are operational how are we seeing things straightening up.

Rajiv Nair:

Ishit I think this time there is more awareness of what is likely to happen in comparison to last year because last year we were not very sure how a lockdown happens and how it opens and how government allow things to open up slowly. We do believe governments over the next few months will open up progressively. It will not happen overnight but we are doing is we are keeping our clinics prepared. About 50% of our staff has already been vaccinated with one dose of vaccine almost all our doctors have been vaccinated except for certain specific conditions where doctors have not been vaccinated. So what we will try and do is that over the next one month's time as we have time we will ensure every member of our team is also vaccinated. So in addition to the safety protocol that we had last year we will also ensure that all our employees who are meeting customers are vaccinated so they themselves do not have a risk at the same time the consumer also has a more safer environment to work on so that is something that we will try and do our experience says Ishit is that as the market opens up there is a lot of pent up demand for our kind of services. So if you look at last few quarters performance and if you look at the last quarter's performance it actually shows that there are high double digit growth that we have seen in areas like laser hair removal, acne and to some extent anti-aging. So there is some pent up demand which keeps opening up as the market opens up and customers are willing to spend a higher ASP, ATV in comparison to what it was before because people are very careful of their choices now and instead of going for a saloon for certain services they would prefer to come to a place like Kaya because the services are long lasting and at the same time they are more safe for the customer so we have seen those benefits in the third and the fourth quarter and we do believe that will

happen as and when the lockdown keeps opening so we do not expect the lockdown to go much beyond middle June or end June it will open up city by city and again all this is just hypothesis at the moment but I am saying that cities like Bombay already you can see a climb down that is happening so there is a chance that these cities will open faster but I think we are more prepared mentally to open up clinics today than whatever we were one year ago.

Ishit Sheth: And Vikas can you just share your thoughts on how Middle East is shaping us right now?

Vikas Aggarwal: We had a setback in Q4. Four of our clinics were shut down because of the COVID surge in Northern Emirates, UAE. March 15th is when they reopened.. All our clinics have been open since then, with some intermittent shutdowns. For example in Oman there is a curfew at night which impacts us a little. But more importantly UAE is opening up even more as we speak. They are now opening up hotels at 100% capacity, bars have opened up they are also allowing larger groups in places. This is yesterday's announcement. Saudi Arabia is soon announcing the start of international travel. So things are definitely looking better when it comes to COVID, and we do not see another lockdown coming in. The Indian strain was a scare, but then since 25th Indian flights have been stopped, and if it had to impact UAE, it would have by now. Hopefully it will not. So things are looking better on the COVID front. I do not see a possibility of major disruption in the near future. I mean the worst seems to have happened in Q4 which we have come out of, and things should only get better from here.

Ishit Sheth: When we talk about Middle East basically the four clinics you said they were not operational for how long because of this COVID?

Vikas Aggarwal: Almost 55 days, they were shutdown,.From around Jan 20th to March 15th . Even plastic surgery business was shut down in Dubai in the same period , which also reopened in March around 20th.

Ishit Sheth: Okay I will come back in the queue for more questions sir.

Moderator: Thank you very much. The next question is from the line of Keshav Garg from CCITL. Please go ahead.

Keshav Garg: Sir I wanted to understand that what have you done to reduce our cost expense base like maybe renegotiation or rental so we can see in your cash flow statement that these rentals have declined year-on-year so are these temporary or these expected to hold on like these expenses were around 50.5 Crores in FY2020 which reduced to around 35 Crores this year so is it expect to stay at this level?

Rajiv Nair: We have looked at all items of cost fairly strongly over the last one year because of the COVID scenario it actually helped us in call of looking at each one of us fixed cost lines very strongly this includes people cost , clinic fixed overheads , at the same time rental being one of the largest cost in clinics. Part of the benefit we got because clinics were shutdown for some time and continue to remain partly open in the second quarter. We did manage very, very strong negotiations on clinic rent last year, the other thing that we did over the last one to one-and-a-half years was also to rationalize underperforming clinics where the cost of operating was fairly large so quite bit of the rent also got reduced on underproductive clinic that were removed from the equation so about 23 clinics were reduced at this stage we are undertaking a new project with Accenture where we are looking at again all the cost including rent on a zero base projecting base so over the next four to five months time we are setting a zero base budgeting project with them where all lines of fixed expenses will be looked at and we will try and see ways and means to reduce or optimize this cost for the long term in addition to that we will also look at certain levers like cost of goods sold, promotions and a few other areas where we could optimize it can also help us in our revenue upliftment and cost optimization so that is something that we will continue so to your point on future we will definitely take further look at our rent levels at the same time other fixed overheads and keep working on it over the next four to six months.

Keshav Garg: Sir also wanted to understand that our main competitors in India would be standalone beauty parlors is that correct?

Rajiv Nair: Not really in our business directly our competitors are not salons but individual dermatologist and a few chains which are there in certain specific cities where they compete with us in those cities.

Keshav Garg: Sir basically if the standalone if the standalone ones mostly they must be avoiding GST so in that case how do we basically since we are non-essential sector so then that becomes a competitive disadvantage for us so how do you overcome that?

Rajiv Nair: I think one of the things we realized during pandemic is that people have become more conscious about safety choices and our clinics are far better equipped in terms of safety and security in comparison to individual clinics even from an infrastructural perspective training of employee perspective and safety equipment and gear that we provide to our employees that is one bit second of course is brand Kaya in comparison to going to an individual dermatologist so there is a brand associated so there is some level of standardization in service that is there that becomes another thing. Third is of course our therapist and our doctors are given a lot of training by our company which probably individual dermatologist do not have so some of the skill sets that our doctors would have may not be available mostly through individual clinics of course they are transferrable skills so at some point people can train other people on this but I would say the brand value the training that we provide the safety protocol that we provide became the differentiating factor which is. Their price beyond a point will not make a difference. Some experience some level of safety is also crucial for customers to be aware and now with pandemic and all these things are become more and more important for customer so I do believe there will be some consolidation that may also happen not just amongst individual dermatologist but also amongst chains which may consolidate and reduce the number of outlets and some of those customers end up traveling to us as a brand.

Keshav Garg: Okay Sir. Thank you.

Moderator: Thank you. The next question is from the line of Rohit Bala Krishn from IThought PMS. Please go ahead.

Rohit Bala Krishn: Thank you for the opportunity. Two questions I am attending your call after a long time so pardon me some of the questions may be addressed.

Rajiv Nair: No problem at all.

Rohit Bala Krishn: So if I look at obviously this has been a tough year for businesses like yours like around 275 Crores of total revenue on a consolidated basis of this how much would be production, how much would be services sir at this point of time?

Rajiv Nair: Products were contributing to about 30% mix for the business but last quarter in the clinic the mix of products have actually come down so we have seen about the clinic business having about a 11 to 12% mix coming out of products wherein actually on the average for the last one year, one-and-a-half years it has been 15 to 16% so that's one bit but e-commerce also contributes to about 40%, 50% of our product business so all in all right now it would be about 25% overall including e-commerce but averagely over the last few quarters we have seen about 28 to 30% mix through product mix.

Rohit Bala Krishn: So this year out of 275 Crores about 30% or 25 to 30% is product business?

Rajiv Nair: Yes.

Rohit Bala Krishn: Understood. I am not asking from a near term perspective but from a three to four perspective how do you view your business overall from a mix point of view how do you see this business evolve and I mean if you can just talk a bit about that?

Rajiv Nair: Sir can you be little specific on what you want?

Rohit Bala Krishn: Yes so what I wanted to understand is today a majority of our business, 70% of our business is from services and portion of that is from Middle East and portion coming from India and then we have products which is largely coming from India if I am not mistaken what I wanted to understand is let us say three or four years out how do you see this revenue mix shaping up what is the broad thinking that we are working with do you think revenue mix will be the same or will it vary towards products, you can just talk about it?

Rajiv Nair: There are a couple of things. I think the growth opportunity in product is definitely much higher and products can reach out to a lot more consumer pan India so the mix progressively from a 20% to a 30% up to a 40 to 45% mix in product possible so we are continuously trying to increase and push our envelope as far as product is concerned that may not just come out of expansion of products in the current

clinic business but also looking at all the digital channels that are possible to do products and one of the key I would say initiative where there would be collaboration with a lot of partners who would want to sell products through the digital channel from Kaya and second is our own D2C website (Kaya.Com) that we are trying to focus on the digital front so obviously the potential for the business to grow and to contribute 35 to 40% on product is definitely there and that would be our near term focus and we will be working towards that objective so I was telling you that the last quarter was close to about 28 to 30% but I think the immediate quarter that went by was about 22%.

Saurabh Shroff: Yes Rajiv, standalone for whole financial year is 22%

Rajiv Nair: That was only because some of the impact of the clinic clients walk-ins were much lower in the last couple of quarters in comparison to non-COVID period but in a steady state business we are able to reach closer to 30% including clinics, including GT/MT business and e-commerce so thus the business has an opportunity to reach up to 40% according to us. Digital channels would be very strong growth area.

Rohit Bala Krishn: So I mean lastly if I take this year on a consolidated basis what you said is about 25% so roughly 65 to 70 Crores of our business from products?

Saurabh Shroff: Consol prospectus is 14 because the Middle East contribution is around 10% while India is around 22% that is why it become 14%.

Rajiv Nair: Just a followup on your line of thing the Middle East business will continue to be a strong services orientated business which has a premium services business while saying so we are trying to push products that is more on the premium side and not necessarily at a price point that we are selling high in India so there the mix of product is currently closer to 10% but in India the opportunity of product mix growing is much higher.

Rohit Bala Krishn: Understood, so out of which let us say from a standalone basis if we talk about that I mean roughly 25 to 30 Crores that we sell probably from the India part how much would be walk-in and how much would be from the other trade channels, when I say walk-in I mean from the clinic.

Rajiv Nair: Clinic roughly it was 50% of the business was coming from the clinic and 50% was coming from e-commerce and GT/MT channels.

Rohit Bala Krishn: So in your product business I mean how many SKUs do you have any thought process in terms of broadening the product base?

Rajiv Nair: So the SKU mix more than 80 different SKUs that we have across , Skin essential products , skin care products and we have some hair care products as an overall mix and the expansion in the coming year towards Dermatology Forward products . We will be launching some premium Kaya products. When I say premium it is 1000 to 1200 that kind of price point we are going to be looking at. Dermat-Forward / led product that we are creating and certain areas of concerns like pigmentation, certain concerns like anti-aging this would be our big focus, as to me these are three areas where the focus will be on developing newer and newer products. So we will definitely be looking at high active Dermat-led segments for product development for the current year and there are some good launches in this area planned.

Rohit Bala Krishn: Sir but these are all OTC products or do you need a prescription?

Rajiv Nair: You do not need a prescription, these are cosmetic products.

Rohit Bala Krishn: So Sir in terms of for your products typically would you compete with in my sense during the price point that you mentioned you revealed quite premium kind of products so given that how do you see the market for us in terms of opportunity do you see the price points coming down?

Rajiv Nair: So your point on competition at the lower end is brands like Neutrogena and Nivea and stuff like, Nivea is sometimes much lower but I am saying brands like Neutrogena, going on the higher side it will be brands like Clinique the type of brands which are efficacious international brands they are slightly above the price of Kaya, Kaya is somewhere playing in the 700 to 900 type price point. Some of our fast moving product line SKUs are sitting in the 1200 in some cases even 1700 to 1800 rupee price point so if you ask me a question on whether it is a very high volume game it is not a very high volume game as it is efficacy seeking consumer who understands the dermatology who understands skin care .Today lot of young

consumers understand these segments much better because of the spread of information through the internet there are people who are understanding skin care much better and we will be somewhere in the middle price points not too premium, not too mass, we will definitely try to compete with the FMCG in this kind of a price match we would not in that segment.

Rohit Bala Krishn: And just one more question on the product side and I have a few question on the services side. On the product side, you mentioned that you are launching your own digital strategy having the digital office so have you hired the person or he /she joined?

Rajiv Nair: He joined us just last week.

Rohit Bala Krishn: Okay can you broadly share a bid more about the person and the profile briefly.

Rajiv Nair: Can I send this information to you separately maybe Saurabh we can take this offline?

Saurabh Sh: Sure you can connect us on investor relations we will help you.

Rajiv Nair: Yes.

Rohit Bala Krishn: Just a couple of questions on the services side. So I mean I think when previously I was following your company there was some unit level issues in terms of economics and obviously then couple of years there was very bad period for us and you were discretionary kind of market so just wanted to understand if you could separate out both Middle East and India in terms of next couple of years how do you see that business given the backdrop of the pandemic and overall improvement that you have done in the last three to four years in that business?

Rajiv Nair: Yes I think first and foremost I think from an unit economics perspective our growth on lot of fixed cost areas we have really worked very strongly on over the last couple of years both in India and in Middle East but we continue to do that work. In fact pandemic kind of acted like a catalyst for us to relook at all our costs we manage to rationalize quite a bit of our fixed cost especially in India in the last financial year. Secondly we are also continuing that effort as I mentioned through

a project that we are working with Accenture right now on ZBx t, which is basically looking at the organization from scratch and all our fixed overheads from scratch and we will be creating something for the long term like a blueprint on which we will actually work in terms of the cost line for the business. As far as the pandemic is concerned, I do believe that there is a very positive thing in some ways because what has happened is that the awareness for safety has actually increased in the country and people do believe both in India and in the Middle East that Kaya offers much superlative safety standards than any of the normal local dermatologists or local clinics or hospitals and due to which I think it is safer to come to Kaya and if I were to look at competitive businesses like salon businesses, people would see that Kaya services are efficacious, long term & safer. It costs you a little bit more, but they are more effective, longer lasting, , but quite safe in comparison to doing services at salons. So if you look at it last quarter we saw almost a 40% plus growth in laser hair removal. That is a service that competes with waxing and parlors and customers do believe that it is safe to do laser hair removal than do waxing in parlors. So I think to that extent I think safety of Kaya will definitely play a positive part in both geographies.

Rohit Bala Krishn: Understood and how do you view growth let us say in the next two to three years for both these business in India and the Middle East?

Rajiv Nair: I honestly will not be able to give you a complete guidance on the growth percentages for the future. I think we should focus on certain initiatives as we mentioned. In the case of Middle East we are going to be focusing on newer and newer services like we mentioned body contouring, plastic surgery, and hair care. In India, we will be focusing a lot more on digital initiatives to growth the business. I think these are the pillars I would say in terms of both markets to grow the business. I think that is what. Any further questions.

Rohit Bala Krishn: No I think this is fine Sir. I will reach out if I have more questions. Thank you so much.

Moderator: Thank you. The next question is from the line of Pranay Tendulkar from Rare Enterprises. Please go ahead.

Pranay Tendulkar: Thanks a lot Sir. Sir contrary to what is in said I do not think this is a digital problem, but a very core marketing problem and to address the marketing problem how to approach the market, how to approach the customer, how to increase the loyalty? This problem is not going to get solved just because of digital because digital is just amplifying whatever you are? So if your offering is confused then it is going to be confused, so not many? Whatever your thoughts on how to actually approach a customer because what has happened is that I understand that your revenue basis grow, but now in the digital age there is hardly any values like it used to be existing 10 years back where a marketing campaign is needed to be spent billions of dollars, but now there are many ways to market the product that is one? Second is, are you actually tracking anything like how many customers repeat? What are the customer points for our services? What are the customers who pick it and also third point is that are we going to be a service company or a product company because if we are going to be a service company we can as well use the world class products and increase the footfall or if you are a product company then we might as well have less emphasis on the location but more emphasis on marketing and other things? Sir these are very basis and fundamental problems and before addressing those I do not think that any money spent on digital is going to leverage it as it should be so it is a marketing problem? Can you just elaborate your thoughts on it?

Rajiv Nair: I will just only take it as an advice from your side because I am just talking all the points that you are saying as your point of view as your advice and I am taking it on board. In my mind we are not confused as a brand and we work on a segment of a market, which is evolving. India is not a very mature market like some of the Western markets. For example in the case of Middle East we operate in a market, which is way more mature than that of India and India will get there. In the last few years, as you said very rightly, digital has helped us communicate our services and products much better. It also gives us better access to consumer than what is was in the past Certain points that you asked like do we track customers, we have a tremendous amount of information about our customers for the last 17 years. We do run a loyalty program Kaya Smiles where sequentially month on month consumer wise data is available and we do leverage that to get across to our customers. So in that sense we do look at all this data. To give you an example even when we shut down clinics in the last financial year about 20 odd clinics, we

were able to garner almost 30% to 35% of the value of transactions into the new clinics through data analysis and reaching out to our loyalty program customer. Loyalty program contributes to about 82% of our total mix.. There are metrics like NPS, which we utilize in the clinic so after every service we know the level of quality of service that we are actually offering to the customer and the feedback from customer thereof. So whatever good retailers in the country do , I think we do. Even in the wellness and beauty space the amount of technology and data that is available in the market I think we are ahead of the curve. Yes, is the scope and size of the market much larger ? can we grow much bigger ? and can we market much better ?

Pranay Tendulkar: Right this is a different question? Have we benchmarked our self against the L’Oreal, Salons or anybody else like Lakme for that matter and how are our operating metrics stand?

Rajiv Nair: We have compared ourselves with Enrich, Lakme etc. Business models are little different. Cost structure wise and stuff like that there are certain differences basically because ours is an expert service. They work as a company owned model and a franchise model. I have some comparison may be at offline may be at some point we could do some comparison and give it to you, but they will not be a direct competitor.

Pranay Tendulkar: Yes because whatever countries I have been to like Japan and Western countries. These services have immense potential and I am sure that whatever Indian upper middle class is coming up the services have a huge potential so we should not have any problem.

Rajiv Nair: So your point is right. You are talking about highly evolved countries like Japan and to some extent South Korea. They are extremely evolved. At some point these kinds of services may have penetration of 40% to 50% of the target population. In India it will be low single digits penetration at this moment and there again organized and unorganized all kind of things are there in India and price points are always there. Indian consumers are a lot more value conscious when compared to the Western customers. The closest that we see from competition and players is the Middle East where I think we do a fairly credible job of of quality. Our quality is

definitely equal or better than most other clinic chains that are there in the market and yes India will get there and we are prepared for it.

Pranay Tendulkar: Perfect Sir. Sir last question from me. Have you thought about hub and spoke model where you have franchises where low capacity investment and low specialization is needed but those franchise have certain standard, which is draft apart from the local guys and those may act as a funnel to your core centre? It can be anywhere between 20 kilometers so something like that you have thought?

Rajiv Nair: We have not done a franchise model till now. It is a doctor led business so it is not so much of an investor solution where you just find investors in various markets and start doing business. You need to also find a very strong doctor to be able to anchor the clinic in these markets. So either it could be a direct, what you call it a collaboration with doctors in smaller cities and towns. These thoughts have crossed our minds and something that we will work on, but at this stage we do not have a model on franchise.

Pranay Tendulkar: Okay Sir thanks a lot. I would like to have a conversation with your team afterwards.

Moderator: Thank you. The next question is from the line of Riddhima Chandak from Roha Asset Managers. Please go ahead.

Riddhima Chandak: Thank you for the opportunity Sir. Sir my question is on our advertising and sales promotion? Sir as the percentage of revenue it is almost 5% to 5.5% or 6%, but now as we are focusing more on the product size in India business so going forward how much this percentage would be and which region we are targeting going forward?

Rajiv Nair: So as a revenue mix I think even now the proportion of spend towards products and especially towards ecommerce is roughly 50% of what we spend totally. Ecommerce we are not really spending money to much on external advertising, but we are actually spending on the partner sites. For example Amazon marketing services (AMS) or Nykaa has its own assets. We spend on these assets. Now already 50% of our spends on marketing are going towards product marketing and mostly spend toward channel partners like Amazon, Nykaa, Myntra and Flipkart.

That is what we are doing. As far as markets are concerned, our markets are currently the main large cities of India with Delhi contributing the largest revenue pie. Mumbai, Bengaluru, Hyderabad, and Chennai, but we do very well with smaller cities so we are present in more than 20 cities right now. Marketing wise not necessarily every city is going to get the same amount of spend because of our businesses are concentrated on big cities and I think that is how we are looking at it, but there is no preference as such in terms of geographies to say that we will be focusing on one geography over the other.

Riddhima Chandak: So in terms of percentage of revenue it would remain the same 5% to 6% overall going forward?

Rajiv Nair: Yes.

Riddhima Chandak: Okay and another question is on the services part so in the services as majority of the traction coming from as you have spoken like today the hair removal, acne and antiaging so you also mentioned that to attract more customers you may also change the price on acne portfolio. So as of now what is our average ticked value in FY2021 versus FY2020 and going forward how it could pan out?

Rajiv Nair: Currently our average transaction value is anywhere between Rs.10,000 to Rs.12,000 and the last quarter was closer to Rs.12,000. Our average earlier was about Rs.9000 to Rs.9500 so we have seen almost a 30% increase in terms of our price points in the last quarter because people have been coming a limited number of times and spending a lot more now in comparison to pre pandemic. The pre pandemic the average value was closer to Rs.9000 to Rs.9500 in terms of that, however categories like for e.g. acne as a complete solution can be as low as Rs.4000 to Rs.5000 going all the way up to Rs.25000 to Rs.30,000. We used to sell a lot of packages in the Rs.50,000 to Rs.60,000 also in acne because of acne scars that are there, but we will be focusing a lot more on entry level consumers with excessive acne problem. Younger customers who have acne problems and give them more entry level price points services. If they want to really go with high end acne scar treatment and stuff like that we will definitely offer those services. Our promotions will be more towards the lower price points.

Riddhima Chandak: Okay Sir, thank you so much.



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Moderator: Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I will now like to hand the conference over to the management for closing comments.

Saurabh Shah: Thank you. The group is closing monitoring the development and effects that may rise from the current pandemic on the financial condition, liquidity and operation and is actively working to minimize the impact of this unprecedented situation. Take care and be safe. Thank you.

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