

Operator

Ladies and gentlemen, good day and welcome to the Jyothy Laboratories Q3 FY '14 Earnings Conference Call. We have with us on the call today, Mr. M P Ramachandran, Chairman and Managing Director; Mr. Ullas Kamath, Deputy Managing Director; and Mr. S Raghunandan, CEO. As a reminder for the duration of this conference, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference is being recorded. At this time, I would like to hand the conference over to Mr. M P Ramachandran. Thank you, and over to you, sir.

M P Ramachandran, Chairman and Managing Director

Good evening, friends, I welcome all of you to the analyst discussion on our results -- Q3 results as well as the nine months result of 2013-'14. As usual, I hand over this to Mr. Ullas Kamath, our Joint Managing Director, to take you through.

Ullas Kamath, Joint Managing Director

Hi, friends, welcome to the analyst call and the results are already there with you and we also sent a detailed presentation, which is available for you to have a quick glance. Just to give the synopsis, as per our guidance, we have done top line growth of 26.8% to 300 crore and net profit is up by 53.1% at 27.4 crore as against 16 crore of last year and EBITDA margin, as stated in the past, our guidance was between 14% to 15%. We are there for the quarter at 14.3% and for the nine months, we are at 14.5% and sale for entire nine months period is at 925.19 crore, it's up by 24.1% and net profit for the entire nine month period is 76.95 crore, up 138.8%.

So, overall, Raghunandan and his team, as we discussed in the past three quarters, have streamlined, in entirety, our sales distribution and marketing and despite the stiff competition in the marketplace, despite resistance that the marketplace, our team has delivered, the Board is extremely happy the way how Raghunandan and his team has delivered continuously for the last three quarters with a 25% top line growth and 14% plus EBITDA margin and we still hold on to the same guidance for the remaining one quarter the 20%, 25% top line growth and 14% to 15% of EBITDA margin.

And the detail presentation Raghunandan will take you through and also in this Board, first time in the history of Jyothy Laboratories Limited, we have declared interim dividend of 100%, that is INR1 per share, again, making it to know that company is doing well and the company has been trying to keep all the stakeholders with dividend payouts, after the dividend policy, payout policy and EPS is at 1.63 on the enhanced capital as against 1.01 same quarter last year.

I'll come back to you once you have questions and now, I'll request Raghunandan to take you through the presentation and then we'll take your questions. Thank you.

S Raghunandan, Whole Time Director and Chief Executive Officer

Good afternoon all of you. This is Raghunandan here. Welcome to the Jyothy Laboratories conference call. I'll straightaway go to the results, profit and loss, and you have the presentation in front of you. And so we have declared the results, so we have had a very good quarter. We grew revenues by 27% in this quarter and YTD, our revenues have grown by 24% which clearly means that, whatever strategy we've put in place, brand investments that we have increased in the current year have started yielding results and we are able to consistently deliver superior to market results in terms of top line.

From a cost point of view, you can see clearly that our cost of goods sold have also risen, so there is a marginal impact of around 1.5% drop in gross margins in the current financial year. And this drop in gross margin has happened because of inflation, which has happened because of rupee depreciation in the current fiscal year. So there is a drop of around 1.5% in gross margin, but in spite of that, the overheads have been managed and we've kept overheads under control. Our employee cost has not risen and all other costs have directly risen at a lower rate than sales growth. So we've managed to rein in the overheads. We've had a marginal gross margin impact of around 1.5% which we will explain in the coming chart.

Advertisement and sales promotion, we have increased trends this year from INR16 crore in the last year same quarter to INR27

crore. It's a jump of more than 55%, 60% in the current quarter, so we have managed to improve our EBITDA and grow by close to 18% over the same period last year and you can see that, the last year advertisement and sales promotion expenses were slightly depressed because we were in the integration quarter.

So this is the quarter in which we integrated both Jyothy and Henkel sales operations last year and we did not want to spend too much on advertising in this quarter, and therefore, you would see that last year we've spent only INR16 crores. We have spent 9.3% of revenues this year in the current quarter and we have delivered an EBITDA growth of close to 16%, 17%. And the EBITDA margins are at 14.3% which is what we have indicated to you as the guidance for this financial year.

Overall if you look at PBT, it's grown handsomely from INR16 crores last year to INR27 crores and the PAT growth again of a similar nature. So overall, the business has stabilized, our revenue growths has stabilized, our margin profiles So the highlights, which is the next chart, most of it, I've already discussed, there is some improvement in market shares we have enclosed a chart on market shares for you. We have seen an -- our increase in shares on Maxo Coil, we have seen an increase in shares on Maxo Liquid, we have seen an increase in shares in Ujala. So all the good work that has happened has started showing results in terms of market share improvements.

And EBITDA impact and cash profit for the quarter thus far is at 43 crores for -- in this quarter. So the media investment is positive and the only downside to the whole business environment is that the detergents business where compared to other categories, we have had a slight drop in margins, slight erosion in margins because of the intense competition that's happening in the detergents business.

And going forward, we need to do something in the detergents business and we have a major activity planned in the coming financial year, which is the re-launch of Henko, which I've spoken to you about in the earlier conference calls. So most likely, we'll be re-launching Henko in the June quarter, beginning of the June quarter, end of this quarter, beginning in the June quarter. So we'll have a re-launch of Henko, so that should give us some fodder for us to fight the detergents market.

Ujala continues to do well. We have registered very handsome volume and (inaudible) on Ujala as a brand and Ujala Fabric Whitener as well. And if you look at the next chart, which is on thrust on regional brands becoming national, this is one theme that we have shown you in the last few quarters.

Our non-South business in this quarter is close to 53%. And if you just look at the same period last year, it was more like South was 53% and non-South was 47%. It's the exact mirror image what you see in this quarter, where South is 47% and the rest of the business is 53%, so it's exact a mirror image of what has happened one year back.

So our focus continues to be on a national level. We need to grow our South business more aggressively and we continue to focus on non-South, so that non-South is the piece, which is driving growth and helping us becoming national brands, and therefore, all the efforts of the management team is to make sure that we continue to invest in non-South markets.

So even if you look at the nine-month scenario, it's not too different. It's a similar scenario. So if you come to the next chart, which is EBITDA analysis quarterly, we've more or less stabilized at 14%, 15% you can see it, consistently December EBITDA, September EBITDA as well as December this year EBITDA more or less we are at 14%, 15% and there is a marginal drop of EBITDA in the current quarter as compared to the same period last year. One reason is because we have had just a slight hit on gross margins which I've already explained to you to the extent of 1.5%. Apart from gross margin impact, there is also an increase in advertising cost which I already spoke to you.

So because of these two reasons, there is a marginal drop in EBITDA margins, but otherwise, the business is on an investment mode, and therefore, we're quite happy to have this kind of a margin profile recovery, we continue to invest behind brands. So we have shown you the profile of Ujala fabric whitener sales quarter two and quarter three. So in spite of Ujala as a percentage to total, even though it has dropped, what has helped us retain good margins is because we have also had a lower Maxo quarter. And that is largely because it's a seasonal business, the September quarter for Maxo typically tends to be much higher than December quarter where winter season and the category does not grow and there is a drop in the category volumes.

So overall, so that's what we are, so we have had a lower Maxo quarter but that is in line with seasonality. So if you look at EBITDA, just I want to bring your attention to this that if you see the consistency with which we have deputed EBITDA in the last three quarters, quarter one we started with 48.6 crores, quarter two was 43 crore and quarter two, three is again -- quarter two is 42 and the same number again repeating in quarter three.

So in nine months, we have 134 crores of EBITDA and typically, our fourth quarter revenues as well as EBITDA numbers tend to be higher because we have a mosquito repellent season coming up in February and March. So nine So that's where we are stable results in terms of growth, in terms of EBITDA margins, in terms of EBITDA numbers. So the business has fully stabilized post integration and going forward, we'll have to consolidate the business and grow it, and that's where we are.

So the next chart talks about EBITDA movements and you can see it very clearly that there is economies of scale coming into the

business, the employee cost as a percentage of sales has come down, overheads have come down. That is the positive factor impacting EBITDA and then negative factors impacting EBITDA from last year is a slightly lower gross margin and a higher advertisement and sales promotion expense.

So even if you look at Q3 versus Q2, there's hardly any difference in EBITDA profiles Q3 versus Q2 of this year and if you look at nine months, it is the same story that you'll get for this quarter.

So in the chart, we had given you in the last three quarters' category wise sales trends. We report sales figures as soaps and detergents and homecare. And soaps and detergents encompass fabric wash, dish wash, and soaps. And we have had very consistent growths at category levels, soaps and detergents have grown by 28% in the quarter and home care has grown by 26% in the quarter.

So overall, growths are broadly in line, and the only thing, which is of significant mention is all of our power brands have grown very well and the only significant news is that on Maxo we have more than doubled our liquid business and the 26% growth that you are seeing is largely because of a very good liquid -- Maxo Liquid performance in the current quarter, which is in the October to December quarter. So we had a great quarter with all power brands are doing extremely well, and therefore, a few initiatives that we will do in the coming year will help us consolidate and grow revenues further.

The next chart is about advertisement and sales promotions. You can see that we are continuing to invest behind brands, but in this quarter, we have had a more than normal sales promotion expenditure because of the heightened competitive activity in the marketplace, which I already talked to you in detergents and other categories. So we have spent much more on sales promotion in this quarter and we have got the results as well for that, very high revenue growths.

So overall, there is nothing to be alarmed. We're spending enough on brands and we're also protecting our brands from the marketplace through higher trade spends. So overall, the news is good out here, so that we have grown healthily and we are continuing to -- we'll continue to grow healthily in the coming quarter as well.

The next chart is about the cash profit for the business. I don't need to explain to you guys, you already know it. So there is a PAT, which is 27 crores and if you add the amortization impact of 11 crores for quarter and the depreciation of 4 crores, you have a cash profit of 43 crores for the current quarter, and cumulatively for the year, we've generated cash for close to 123 crores.

The next chart is all about the net debt status, which you can take a look. I have nothing more to add. The debt now is 452 crores net debt, and any questions on this, we can take it up in the Q&A.

And the next chart is on market shares. You can see that fabric whitener volume shares are 58%, value shares are 72.5%, 73%, which is, I think, all-time highest on Ujala Whitener, all-time high market shares. Our market shares which were 14% in the same period last year on coil now improved to 17% and our volume market share is close to 18% on the coil.

So liquids have grown well and on a small base, our market shares have improved, it's showing a 5% market share, but our growths have been extremely healthy and we're going to focus on liquids in a big way in the coming financial year.

On Pril Liquid, there is a drop in market shares, so we are holding on there as far as Pril is concerned. On Exo Bar, while the market shares are showing flat, our growth have been very, very good in dish wash as a category and in fact, the highest growth in the quarter has come through dish wash in this quarter. So we're doing extremely well on Exo and Coming to business initiatives, there are a few things that we are planning and there is a new communication that we did on Ujala this year and going forward, we have a new approach on Ujala and we will roll out with new creatives and new communication in for the coming financial year which hopefully should drive category growth and help us grow on Ujala in the next year as well. So that's of paramount importance and thrust as far as the management team is concerned and therefore, Ujala fabric whitener will be taken as the priority to grow in the coming financial year. And that is only by growing category, because by and large that doesn't exist anymore. There is hardly any competition and we have to take the leadership in terms of growing the category.

The next one is on Henko and we've talked about a major initiative coming from our side. So we will do a relaunch of Henko, which is going to come very shortly and that should hopefully bring in new news and vitalize our whole detergents' portfolio. So this is a major initiative from our side, which will happen soon on Henko.

The other brand that we want to speak, that is doing extremely well for us is Margo where it's with more brand investments, we have done extremely well across the country. It is no more a regional brand, it is a national brand growing much, much above market growth rates and we understand the strength of this brand and we are looking at extending this brand into skin care and you will see some initiatives on Margo in the coming financial year.

Maxo as we spoke, our liquid business is growing very well on a smaller base and we are very encouraged by the response so far and so, we will continue to invest behind Maxo and grow the liquids business and there is a new innovation planned on Maxo which will again happen in June quarter of the next financial year. We are also looking at entering the low smoke coil category and

we will have a new launch in a few months from now.

So there is a small update on supply chain and IT. We had talked about commissioning IBM last year as an initiative, that entire project is coming to an end till the new demand planning tool which we have implemented in the business. And currently, we are undergoing the trial run for production and now, we have an end-to-end supply chain platform right from demand forecast all the way back up to production plan and up to raw material and packing material procurement. So you have one tool now, which we have put in place in the business, which will talk end-to-end right from sales forecast, all the way to production plans and therefore, we have a better handle on controlling system inventories going forward.

So this is on the progress and in the next two, three months we will have fully stabilized supply chain platform. We have defined KPI for all functions and we also put in a tracking tool for KPI, and therefore, we'll ensure that we bring in some efficiencies on the working capital front going forward. So in terms of IT also, we have done a lot of good work and we've connected all our third parties and we are able to have some visibility on looking at their production and their dispatches, which we did not have so far, some -- a lot of good work happening internally in the IT function.

As far as R&D in concerned, we are looking at new products and all the hard work that the R&D has put. We will see new products coming out in the next few months. And we have a team, we have a lab, which is inside our corporate office, so all that is in place and we have done some consolidation of manufacturing, we've completed that on fabric whitener, we are doing some work on detergent manufacturing consolidation. And wherever we can utilize R&D and leverage them to cut cost based on innovation we are doing ahead.

So in terms of key initiatives, that's the similar chart that I have put in the last two quarters, continue on our brand investments, gain market shares across all power brands, consolidate sales and distribution and grow detergent business and household insecticide business through breakthrough innovations. So our team remains the same, our results are consistent, our results are good so far, so we have had a great year and we expect the coming year to be as good as this year. Thank you so much.

Unidentified Speaker

We can take the questions.

Questions And Answers

Operator

Sure. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy, Analyst

Sir, thanks for the opportunity and congrats on good set of numbers. My first question is on the volume growth, 22% very strong. If you could give some more details, fabric wash, dish wash, beauty soap and HI, which parts of the business have grown faster and which have grown slower?

Ullas Kamath, Joint Managing Director

Dish wash and personal care has grown faster in volumes; fabric care and mosquito repellants have grown slower than our 22% volume growth.

Abneesh Roy, Analyst

Sir, one follow-up question. Dish wash, if I see the market share data, Pril Liquid, since we're having some issues, if you could give us more insights whether it's because of competitive intensity from the existing player, or it's because of the Dettol launch? Similarly Exo bar has, sir, I think, done well, so any plans of extending -- making Exo Bar as the main brand over the liquids?

Ullas Kamath, Joint Managing Director

Yeah. Pril Dishwash Liquid has had some impact. That was at the beginning of the year, but since then, we have not lost share, okay. We lost some share when there was a major competitor who entered this category, but since then, we have managed to hold on as far as Pril Liquid. So there is no erosion in market share continuously. There is a onetime loss in share, which has happened when the major competitors entered this category. This was about nine months back. But since then, Pril Liquid is doing well.

As far as Exo is concerned, Exo has done very well. And in this quarter, we have had more than our weighted average growths on dish brand. So, we're doing extremely well on this brand and we're looking at some extensions on Exo, which will happen in next financial year.

Abneesh Roy, Analyst

Sir, one more follow-up on your initial remarks. You said Maxo has done well, especially, electrical. Was December quarter for the industry a bit tough? For you it was good, obviously, from a smaller base, but are you seeing any structural change for the industry, Q3 may not be one of the larger quarters, but still any warning signals there, sir?

Ullas Kamath, Joint Managing Director

No, I think this -- as far as insect repellants are concerned, liquids is a business to stay, okay. Liquids is a business, which will stay, which will continue to grow. It's one of the fastest growing categories in the overall FMCG business.

It's only the coil business where depending on seasons, you'll have ups and downs in terms of category growths. So the way I look at it is probably the coil category had its own ups -- slight down in this quarter as a category, which may rev up the moment the season changes. So the coils are little more seasonal, but liquids are not at all seasonal anymore. I mean, 12 months around the clock usership of liquids is there today in urban India. And the category is growing healthily at 20% plus. We have grown much more handsomely as compared to (inaudible).

Abneesh Roy, Analyst

Last question is on the cost side. If I see the gross margins of the companies, which have come out with results, almost all the companies have seen gross margin expansion in the domestic business. In your case, we have not seen. So if you could dwell on why the largest player which came out with the results yesterday has seen gross margin expansion while we have not seen?

And related question, sir. Promotions have seen a sharp rise. Was most of the promotions in the Henko brand and why suddenly the thought of taking it away from the mass advertising, if I see mass advertising has grown only 25% versus 49% for the nine months and we have plotted significantly towards the sales promotion. So why was that done?

Ullas Kamath, Joint Managing Director

Yeah, if you look at the spends that we did on advertising in this quarter, we spent money on Ujala, we spent money on Exo and we spent money on Maxo liquid. On detergents, we did not spend because there is some new news going to come, which is going to come in the next few months. So we thought that it is not prudent to spend money now on Henko.

So we might as well, save up money and invest when there is absolutely new news, so that we can back it up with a lot of power and spent. So it was a conscious decision taken, not to spend on detergent powders. We continue to spend on Exo. So if you look at the brands that we spent in the quarter, we spent good amounts on Ujala, we spent good amounts on Exo, we spent good amounts on Maxo.

As far as Margo is concerned, it's not a summer brand, so we will invest more in March quarter and in June quarter on Margo. So there is some answers around seasonality. We don't need to advertise too much on Maxo coil in this quarter. So historically for the business if I have to see, then December quarter will be slightly lower on advertising spends as compared to other quarters, because of the way our business is structured today

So we have spent adequately on brands from an advertising standpoint and we have spent wherever we could; we've have spent on Ujala, we've spent on Exo, we've spent on Maxo. These three brands we have invested funds in this quarter. So I don't see a problem there. Sales promotions spends have gone up, you're right, I mean, we thought that, let us at least, since we're not going to advertise, let us at least defend our turf in these categories. So we have pushed some Exo, we have pushed some detergents through slightly higher sales promotions which will help us in increasing our distribution in terms of improving our availability in the marketplace.

So this is just a slight shift in spends which have happened. I would not read too much into it, and coming back to March

quarter, you will see very healthy advertising spends coming back because we will have money to spend on Margo, we will have money to spend on Maxo, much more money. Therefore all the brands will come back.

So you see, do not see it as any trend, it is just a one-off issue where we've spent much higher on sales promotions. But going forward, we will continue to spend much more on advertising.

Unidentified Participant Ullas Kamath, Joint Managing Director

No, we -- confidence level is pretty high, that is why we've taken our own time. We've taken a lot of time because we wanted to get everything right. Our confidence level is pretty high, but I can't be overconfident on this. We'll do our best and we've got something very good going for us.

Unidentified Participant

Right, sir. Thanks and all the best, sir.

Operator

Thank you. The next question is from the line of Avi Mehta from IIFL. Please go ahead.

Percy Panthaki, Analyst

Hi, sir, this is Percy Panthaki here. Just one question on the balance sheet. You've received in this quarter, so I'm looking at the three months; September to December, you've received 260 crore via equity infusion. You have used 68 crores to buy out fabric care stake and you also had a cash profit of about 43 crores. So that's a net of about 235 crores.

So if you can just tell me how this 235 crores is spent, how much is spent towards returning debt, if any, how much is spent towards increasing working capital, how much towards increasing CapEx and how much is just lying as cash?

Ullas Kamath, Joint Managing Director

Yes, the last one is easy to say, it's 103 crore is lying in the bank as -- in a debt [ph] fund and overall the money what you have raised in the last three months was 400 crore by way off 11% zero coupon NCD.

Percy Panthaki, Analyst

That replaces 400 crores of debt, so that part is pretty clear.

Ullas Kamath, Joint Managing Director

Yeah, yeah and the other 260 crore, need to --

Unidentified Speaker

100 crores of working capital, 103 crore is there as the balance and balance for the JFSL buyout.

Ullas Kamath, Joint Managing Director Percy Panthaki, Analyst

In three months, the net working capital has gone up by 100 crores?

Ullas Kamath, Joint Managing Director

No, working capital limit was there.

Unidentified Speaker

We have repaid it.

Ullas Kamath, Joint Managing Director

We repaid that.

Unidentified Speaker

There was a --

Unidentified Participant

Okay, okay so, there has been a debt repayment of about 100 crores, 100 crores is the increment in cash or is it the total cash lying as of December?

Ullas Kamath, Joint Managing Director

It's the total cash as if now.

Unidentified Speaker

It's the total.

Percy Panthaki, Analyst

So what would be the increment in cash over three months over September?

Unidentified Speaker

No, we did not have any cash balance because we were having an overdraft of 100 hundred crores, grown up facility of 100 crores. Okay.

Unidentified Speaker

As on 30th September because 30th September balance sheet is also available.

Percy Panthaki, Analyst

Okay, so 103 plus 100 is 203, that leaves another 30 crores, 35 crores in my calculation which is missing.

Unidentified Speaker

So, there is 20 crores of working capital enhancement, actually CSD sales have improved a lot.

Percy Panthaki, Analyst

Okay.

Unidentified Speaker

So that outstanding has gone up.

Operator

Okay, okay, understood, understood. Secondly, I just wanted to again touch upon this subject. I know, previously this question was asked but see, in detergents although we all agree that the competitive intensity is high, over the last three to six months other players have taken a price increase and the results of the market leader also shows that in that particular segment the margin has actually gone up at the EBITDA level. So just wanted to understand why is it that we are saying that our gross margins have really compressed because of the cost inflation and the lack of ability to take up prices in detergents?

S Raghunandan, Whole Time Director and Chief Executive Officer

See, they dropped it by INR10 and then took it up INR4; it's something like that. So what you observed probably was that increase of INR4, but you did not see the drop of INR10 and the consumer offer that they used to give on all these brands.

Unidentified Participant

Right. But despite this, the margins in that segment have gone up so how do we --?

S Raghunandan, Whole Time Director and Chief Executive Officer

How do you know that?

Unidentified Participant

They have reported margins in the soaps and detergents segment, they've gone up by about 85 bps.

S Raghunandan, Whole Time Director and Chief Executive Officer

Soaps and detergents is huge business.

Unidentified Speaker

Personal care.

S Raghunandan, Whole Time Director and Chief Executive Officer

So there is soaps also where they have taken lot of price increases.

Unidentified Participant

Okay. Fair enough. Fair enough. Also, I think, yeah, that -- these are the two main questions I had. If I have any more, I'll come back in the queue.

S Raghunandan, Whole Time Director and Chief Executive Officer

Thank you, sir.

Operator

Thank you. The next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.

Kunal Bhatia, Analyst

Yeah, sir. Thank you. My questions have been answered. Thanks.

S Raghunandan, Whole Time Director and Chief Executive Officer

Thank you very much.

Operator

Thank you. The next question is from the line of Ajay Thakur from Axis Capital. Please go ahead.

Unidentified Participant S Raghunandan, Whole Time Director and Chief Executive Officer

Higher ad spends.

Unidentified Participant

Okay. So otherwise, if I look at particularly liquids, what is the proportion of liquids in the Maxo category, has it crossed the 20% barrier?

S Raghunandan, Whole Time Director and Chief Executive Officer

Yes, it has.

Unidentified Participant

Okay. And any particular targets or guidance that we have, so what are you looking forward to in this category? Is there more from distribution extension, which can come through? Or is it just absolute consumer pool, which is happening after placements?

Ullas Kamath, Joint Managing Director

See, currently if you look at the contributions of liquid to the business, it is close to 24%. So, currently, if you look at Maxo business, 24% of our revenues are coming from liquids, which is significant, that is not -- which is not -- which was not so much a year back. So a year back, it was probably half of that. So today around 23%, 24% of overall brand revenues are coming from liquids. So ideally, I mean, our next year target should be that 50% of the brand should come from liquids. That is the ambition we should have.

Unidentified Participant

Okay. And you mentioned a lot of cost initiative exercises, which have been commenced under manufacturing and supply chain. Was wondering how much of this is already in place as we speak for the nine months? And what can we really expect in terms of potential either gross margin improvement or probably below the gross margin line, which will most likely come into other overheads?

Ullas Kamath, Joint Managing Director

I think it is safe to assume that any gross margin improvement from here on has to come through the mix.

Unidentified Participant

Only through the mix? Okay.

Yeah, because if we are going to build Henko, if we are going to build Maxo Liquid, if we are going to continue efforts to grow Ujala, then these are higher margin products for us. So the whole strategy for us should be to move into higher margin categories and then grow them. And then, whatever other savings will come, it will come. But I wouldn't want you guys to assume too much of savings because of that.

Unidentified Participant

All right. And is there any scope or intent to increase the level of ad spends going into next year, either through the benefits you might get from the cost reductions?

Ullas Kamath, Joint Managing Director

See, we are looking at next year business plans and we'll be taking into the Board in the next few weeks. Obviously, at this point of time, we have not taken any approval from anybody for me to share it openly with you. But we are evaluating all options to see what is best for the business. So, in terms of increasing spends and all, we'll be able to handle it in the coming quarter.

Unidentified Participant

Okay. And just one final question. Could you give us some idea about the fabrics power business for the nine months as we've closed out?

S Raghunandan, Whole Time Director and Chief Executive Officer

Fabrics power business, we are just maintaining the business and trying to cut down, like, as much as possible non-profit making units there. And as of now, we are -- Bangalore, we're EBITDA positive and Bombay we are almost breakeven and we are losing money in Delhi. So the current year, entire concentration has been there, but in the next year, we'll go with the real expansion wherever it is required, that is, basically, in Chennai and Hyderabad.

We are working on that business plan as well to take it to the Board. But as of now, we are just maintaining the facilities whatever, wherever we have and 112, 114 units as of now across the country, wherein Bangalore and Bombay are doing well and we are working hard to make Delhi also becoming EBITDA positive in the next one quarter.

Unidentified Participant

Okay. Could you share with us, Ullas, what is the nine months revenue or operating number in terms of an EBIT?

Ullas Kamath, Joint Managing Director

The top line will be about 30 crore for the nine months.

Unidentified Participant

Okay.
And there will be a negative (inaudible) maybe about 1.5 crore, 2 crore.

Unidentified Participant

Okay, so you are in line to break even at EBITDA level, as we speak, is it?

Ullas Kamath, Joint Managing Director

By March, yeah.

Unidentified Participant

by March, okay.

Ullas Kamath, Joint Managing Director

Yeah.

Unidentified Participant

All right. Thanks a lot.

Ullas Kamath, Joint Managing Director

Thank you, sir.

Operator

Thank you. The next question is from the line of Aashish Urganlawar from Elara capital. Please go ahead.

Aashish Urganlawar, Analyst

Yeah, sir the volume growth is pretty impressive at 22%. So would you be able to give some sort of break up into Henkel and Jyothy businesses, how the volume growths have been and if specifically on some color on the brands, how they have grown?

Ullas Kamath, Joint Managing Director

If you look at volume growths, the old JLL portfolio has grown by 24% and Henkel brands have grown by 21% in volume -- sorry, 16% in volume. So it's a break-- so, overall 21% volume growth. JLL brands have grown by 24%. Henkel brands have grown by 16%.

Aashish Urganlawar, Analyst Ullas Kamath, Joint Managing Director

See as of now, we have not given a guidance for the next financial year. I've always maintained that we will do better than market, significantly better than market. That's been my consistent statement across. So as far as the coming quarter is concerned, I can say that we are in track for delivering 20% plus growth. Going forward next year, we'll have to see what is the guidance and we'll discuss internally and come back to you.

Aashish Urganlawar, Analyst

Sir detergents, I understand that price increases are difficult at this point in time, any other pockets that you see that you can up the prices in order to counter this gross margin decline that we have seen so as to make the picture better on the overall EBITDA front?

Ullas Kamath, Joint Managing Director

I don't think we have too much of price sell average at this point in time.

Aashish Urganlawar, Analyst

Okay.

Ullas Kamath, Joint Managing Director

The only way by which we should protect our margins is actually by making sure that our mix performs favorably.

Aashish Urganlawar, Analyst

Okay, so one should not assume any kind of price increases for the next may be two, three quarters at least?

Ullas Kamath, Joint Managing Director

I mean if competitor takes up prices and if there is a huge cost pressure, then definitely we are doing that. So it's not that we are not taking it up at all. We have taken a minor price increase on dish wash.

Aashish Urganlawar, Analyst

Okay.

Ullas Kamath, Joint Managing Director

So wherever it is possible, it is being taken. If competitors are taking it up, we are taking it, but at this point of time it is cautionary in terms of price hikes.

Aashish Urganlawar, Analyst

Okay.

Ullas Kamath, Joint Managing Director

That is why the -- all the growths that have come in this quarter also has come through volumes.

Aashish Urganlawar, Analyst

Okay, okay. So I mean, gross margins still remain, I mean a bit of a challenging area as we move into the next year because this raw material scenario is an uptrend maybe. So is that a fair statement to make?

S Raghunandan, Whole Time Director and Chief Executive Officer

I don't know, rupee is at 63 today. So if it becomes 70, it will come very challenging. If it stays at 63, then it's okay, the worst is behind us.

Unidentified Participant

Okay. Sir, if I can ask one more question, sir, if you could give some color on how the non-South rather taking your brands from South India to other parts of the country was one of the bigger drivers. If you could tell us how different brands have grown nationally, basically, going out from South and how much of a scope is still pending with brands like Exo in terms of expanding the footprint across the nation?

S Raghunandan, Whole Time Director and Chief Executive Officer

In non-South, in several of our brands, our market shares are less than half of what it is in South. So in terms of scope, it is enormous. So, for example, in Exo, our market share in South is 20%, whereas our non-South market share is more like 6%, 7%. So it's way below. So the same story should hold good for the next few years.

Unidentified Participant

Okay. So which all brands are these? I mean, apart from Exo, which all brands would you see the --?

S Raghunandan, Whole Time Director and Chief Executive Officer

Margo, we've also already said that Margo is a brand which can be truly a national brand, so investing behind it nationally on Margo. On Exo, we are now investing nationally. On Henko, we will invest nationally, because even Henkel never advertised too much on the national platform. So on Henko also we will invest on a national basis. Margo we'll invest on a national basis. Ujala, we have increased our investments on the brand at a national level. So that enough things that we will do, which will make sure that the

non-South business continues to grow faster than the south business.
Anything to share on Fa?

S Raghunandan, Whole Time Director and Chief Executive Officer

Huh?

Unidentified Participant

Anything to share on Fa, what is happening on that brand?

S Raghunandan, Whole Time Director and Chief Executive Officer

This is not a great quarter for Fa. It's not been a great year so far for Fa. So we will have to look at next year's business plan and see how much of effort we'll put behind Fa.

Unidentified Participant

Okay. Thanks a lot.

Operator

Thank you. The next question is from the line of Naveen Trivedi from Trust Capital [ph]. Please go ahead.

Unidentified Participant

Yeah, hi. Could you please share us the dish wash category growth for us, including Pril and Exo?

Ullas Kamath, Joint Managing Director

Exo is above (inaudible) 27.

Unidentified Participant

27%?

Ullas Kamath, Joint Managing Director

Above 27, I told you. So if you want exact, dish wash category grew by 35%, okay.

Unidentified Participant

Okay. And can you just share the Ujala Supreme volume growth?
Huh?

Unidentified Participant

Ujala Supreme Liquid volume growth?

Ullas Kamath, Joint Managing Director

It is very healthy double-digit.

Unidentified Participant

Healthy double-digit?

Ullas Kamath, Joint Managing Director

Yeah.

Unidentified Participant

Okay. Sir, could you please throw some light on some FY '15, I know that you are not giving any guidance on FY '15, but some color on--

S Raghunandan, Whole Time Director and Chief Executive Officer

Personally, I agreed, I've not said I will not give. I said internally we've not agreed on next year's business plan. So before giving a guidance, we should have an internal alignment and post which we will give a guidance.

Unidentified Participant

Okay, fair point. Sir, just one last question on the new launches that you're saying, so one thing I think that would be under the Margo brand, so that would be typically for the -- in the skin care segment?

Ullas Kamath, Joint Managing Director

Yeah, you can assume so.

Unidentified Participant

For skin care, yeah, thank you so much, sir.

Operator Parineeta Rajgarhia, Analyst

Hello.

Ullas Kamath, Joint Managing Director

Hello. Yeah.

Parineeta Rajgarhia, Analyst

Yeah. Hi, sir. I have a question on your rural, urban growth in your divide. How much of your sales would be coming from rural and urban and what kind of growth are you experiencing in both?

Ullas Kamath, Joint Managing Director

For us, 60% of revenue is coming from above one lakh towns.

Parineeta Rajgarhia, Analyst

Above one lakh towns?

Ullas Kamath, Joint Managing Director

And 40% of our revenue is coming from below on lakh town.

Parineeta Rajgarhia, Analyst

Okay and is there a change in mix or a change in your growth rates which you are experiencing in this above one lakh towns and below one lakh towns?

Ullas Kamath, Joint Managing Director

All our [ph] growths have been uniform, I think --

Parineeta Rajgarhia, Analyst

Uniform for both?

Ullas Kamath, Joint Managing Director

I've checked a few zones and the growths have been even.

Okay and because so, there is no really product mix change of urban and rural that's causing your margins to fluctuate, it's just your gross margins and your advertisement spends that are causing that.

Ullas Kamath, Joint Managing Director

That's right, yeah. That's right.

Parineeta Rajgarhia, Analyst

Okay, okay, fine and do you expect this rural, urban mix to change, as you know you expand your Margo brand and your Henkel brand. Anything of that sort that you are looking at?

S Raghunandan, Whole Time Director and Chief Executive Officer

It should move in favor of urban.

Parineeta Rajgarhia, Analyst

It's more in a favor of urban?

S Raghunandan, Whole Time Director and Chief Executive Officer

It should move in favor of urban, yeah.

Parineeta Rajgarhia, Analyst

Okay, okay. So that we can interpret that obviously mix in urban has a higher margin contribution, so that should aid the margins. Okay, fine. That's all from my side. Thank you.

Operator

Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan Limited. Please go ahead.

Kaustubh Pawaskar, Analyst

Thanks for taking my question and congrats for a good set of numbers. Sir my question is on your interest cost. We have seen that, for this quarter you have the interest cost stood at around 15 crores. I believe that from next quarter, we won't see any interest cost for you because we have paid the term loans.

Unidentified Speaker

Yeah, so it will give you around two crores.

Okay and sir I -- on the gross margin front, I just -- I know this is a repetitive question but, is the rupee depreciation only costs for the raw materials, sorry, gross margin deceleration because, if I recollect correctly, in the last quarter's conference call, you mentioned that the impact of rupee depreciation was there till first half and from next quarter, you won't see any substantial impact. So that's why I'm asking this question, again.

Ullas Kamath, Joint Managing Director

No, the main cause of inflation today in our category is because of rupee, because everything is linked to the rupee/dollar figure. But if you see, it has also fluctuated. When we started the quarter, it was much higher. And after that, there is some appreciation on the rupee, which happened. And therefore, we started to get some benefits, but you see, we have got some benefits, started to get, but then, in the last two days, again, it has slipped back. So we don't know, it's very difficult to say.

Unidentified Participant

Okay. And, sir, can we expect the company to pay some kind of tax in FY 2016 because I know FY'14, FY'15 you are not paying any tax, but at least, FY 2016 -- any tax guidance for FY 2016?

Ullas Kamath, Joint Managing Director

I think we should be able to pay.

Unidentified Speaker

Yes.

Ullas Kamath, Joint Managing Director

Yeah, I think the way we are growing now, we'll be able to -- we will be exhausting our tax breaks, what we have from the losses from Henkel acquisition and if company is paying income tax in 2016 means we are doing extremely well. (Multiple Speakers).

Unidentified Participant

Okay. Thanks.

Operator

Thank you. The next question is from the line of Harit Kapoor from IDFC Securities. Please go ahead

Harit Kapoor, Analyst

Yeah, good evening, everyone. Most of my questions are answered. Just had one question on the distribution, just I wanted to know, we have our products available in 2.9 million outlets. I just wanted to understand the future strategies.

Ullas Kamath, Joint Managing Director

2.9 million is actually Ujala number, Ujala's direct reach, availability.

Harit Kapoor, Analyst

Yeah. So it's -- my question is that whether -- are we going to look at increasing the number of outlets or is the focus on increasing our distribution in terms of more products through the Ujala distribution?

Ullas Kamath, Joint Managing Director

See, if brands become stronger, distribution will automatically go up. So if we are making our brands become stronger, then distribution will keep on rising.

Harit Kapoor, Analyst

Okay. So there is no distribution target in terms of how many outlets we will be adding, for example, this year and next year et cetera?

Ullas Kamath, Joint Managing Director

We do have a target, but our target is 100 outlets for lack of population in urban. That's our target for direct coverage. And in terms of sub-stockists, we want to add 700 sub-stockists in the coming financial year.

Harit Kapoor, Analyst

And is there a specific mix in terms of South and non-South? Will it be largely non-South or is that reading correct?

Ullas Kamath, Joint Managing Director

I think, it will be both south and non-South. (Multiple Speakers). As business grows, the distribution grows. So as we keep growing revenues, our distribution also should keep growing.

Harit Kapoor, Analyst

Fair enough, fair enough. That's it from me. Thanks.

Operator

Thank you. The next question is from the line of Rahul S from BNP Paribas. Please go ahead.

Rahul S, Analyst S Raghunandan, Whole Time Director and Chief Executive Officer

Thanks, Rahul. Thank you.

Operator

The next question is from the line of Ravi Shenoy from Motilal Oswal. Please go ahead.

Ravi Shenoy, Analyst

Hi, good evening, sir. Congratulations on a good set of numbers.

Ullas Kamath, Joint Managing Director

Thank you, sir.

Ravi Shenoy, Analyst

I just wanted some idea about Jyothy Fabric Care. I know you told the numbers earlier, I had missed that, if you could repeat, for the nine months?

Ullas Kamath, Joint Managing Director

Yeah, for the nine months, we have done around 30 crore on the top line and marginal EBITDA loss of about 1.5 crore. And our objective in JFSL is to make it EBITDA positive by 31st of March 2014 and then think about expansion thereafter. So our whole objective was to bring down the EBITDA, like, to positive, which we are working towards in the last nine months, sir.

Ravi Shenoy, Analyst

Okay. And this would be a 10 crore kind of a quarterly number that we are talking of?

Ullas Kamath, Joint Managing Director

Yeah, yeah. You are right. Now about 12 crores.

Ravi Shenoy, Analyst

12 crores?

Ullas Kamath, Joint Managing Director

Yeah.

Okay. And last con call, sir, I think you even guided about being debt free by the year end, does that target still stand?

S Raghunandan, Whole Time Director and Chief Executive Officer

When you say debt free, we have now almost debt free status, but for NCD, we're just falling due on November 2016 of 400 crore of 11% zero coupon NCD. But otherwise, we have now a balance of 103 crores, which is invested in debt market and working capital limits completely were paid off. And there are some commercial papers, which is at a very low cost 9%, 9.25% which are holding 50 crore, 60 crore. And otherwise, as far as the finance is concerned, that is as good as debt free at this point in time, sir.

Ravi Shenoy, Analyst

Okay, sure. Thank you for correcting my understanding there, sir. On your sales promotions, sir, could we get an understanding how was above and below the line?

S Raghunandan, Whole Time Director and Chief Executive Officer

It is clearly given in our presentation and above the line is--

Unidentified Speaker

Page 13.

S Raghunandan, Whole Time Director and Chief Executive Officer

In the page number 13, above the line is 15 crore and below the line is 12 crore, sir.

Ravi Shenoy, Analyst

Okay, sir. Thank you, sir.

S Raghunandan, Whole Time Director and Chief Executive Officer

For the quarter [ph]. Yeah.

Operator

Thank you. Next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah, Analyst

Hi. Thanks for giving this opportunity. Sir, my question pertains to inorganic growth allegedly that we are pursuing right now. If you can give some sense on what check list we are running in the sense what kind of space, what kind of geography we are targeting for inorganic growth opportunities?

Ullas Kamath, Joint Managing Director

I'll not be able to discuss on a conference call because this is very, very competitive market like all this acquisitions. But as we stated in the past that as any other growing company, we are looking for opportunities. And we are focused on acquiring regional brands, so definitely not national brand. We are looking at strong original brands. And our effort will always be there and we are talking to the people, but more details, I will not be able to give. But now that Henkel is behind us and we have seen Henkel from minus 4.4 EBITDA margin, now we are showing 14.3% positive margin. So we know exactly how to acquire and how to digest as well. So, yes, company is looking for it and you will see in the coming quarters something others happening, but I'll not be able to give more details on that. But we are looking only for the regional acquisition and not at a national level.

Tejas Shah, Analyst

Completely understand, sir. Sir, just wanted to know when you see regional, it means it will be -- you won't be going overseas for this?

Ullas Kamath, Joint Managing Director

Yeah, absolutely no, sir. No overseas. There is -- in India and regional and also looking at a successful, regionally strong brand, we're not going for national, so our synergy would be when we take them national, the things will work good for us. That is our idea, sir.

Tejas Shah, Analyst

Thanks, I'm done, sir, and all the best.

Ullas Kamath, Joint Managing Director

Thank you, sir.

Operator

Thank you. The next question is from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani, Analyst

Hi. Good evening, everyone. So with reference to the IBM that you partnered with, you have reduced your inventory days from 55 to 47 in quarter two as mentioned in the con call last time. So have we seen any further improvement there?

Unidentified Speaker

We missed your question. Can you repeat?
The number of days of our inventory holdings.

Unidentified Speaker

It has gone by one or two days.

Mayur Gathani, Analyst

Gone up or?

Unidentified Speaker

Gone up.

S Raghunandan, Whole Time Director and Chief Executive Officer

It is more or less the same, maybe here and there one or two days and because of mosquito repellent non-season, some of the production will have done early December or early November to meet the demand in February and March because that's the peak season. So always in December quarter, when you see the December quarter will be definitely more or less the same, but when compared to last quarter, one or two days here and there. But we are more or less maintaining the same number of days until today.

Mayur Gathani, Analyst

Okay. And, sir, any update on the inventory at the dealer levels?

S Raghunandan, Whole Time Director and Chief Executive Officer

No, because it's a cash and carry, even if you want them to hold, they will not hold, sir, because now there is absolutely no credit. So you can't give more than what they really require because they need to make the payment for that. So to that extent, that is almost like (inaudible).

Mayur Gathani, Analyst

Okay. Sir, and Ujala production started in Bangladesh in August, so any updates on that?

S Raghunandan, Whole Time Director and Chief Executive Officer

Yeah. The production is doing very well and we have a little bit of disturbance in Bangladesh as all of you know that because of the political uncertainties. So sales have been doing almost 70 lakhs, 80 lakhs per month, which is historically it was less than that, but after we go there, distribution has picked up and sales was happening, but definitely, we are not happy, we want to go with all other products together. We are just waiting for the political things to settle down there, then we'll start spending the money on the brand and also you'll see -- beyond Ujala, you'll see our other products also in Bangladesh. Setup is there, factory is there, people are there, we're just waiting for the system to

Mayur Gathani, Analyst

Okay. Thank you very much and all the best.

S Raghunandan, Whole Time Director and Chief Executive Officer

Thank you, sir.

Operator

Thank you. Ladies and gentlemen, that was the last question. I would like to hand the conference over to Mr. Ullas Kamath for closing comments.

Ullas Kamath, Joint Managing Director

Yeah. Thanks, friends. If you have any more questions, you can always contact me or Neethu whenever you will have the question. And also, on the guidance part, we'll come back to you in the next quarter. As of now, our guidance holds good with 20%, 25% top line growth for the coming quarter and for the next year guidance, we'll be giving in the next con call. Thank you very much. And any questions, you can always get in touch with me or Neethu. Thank you.

Operator

Thank you. Ladies and gentlemen, on behalf of Jyothy Laboratories, that concludes this conference. You may now disconnect your lines. Thank you.