



“Kaya Limited
Q4 & FY '25 Earnings Conference Call”
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MODERATOR: **MR. SACHIN BOBADE – DOLAT CAPITAL MARKETS PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 and FY '25 Earnings Conference Call of Kaya Limited hosted by Dolat Capital Markets Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference call is 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, Puja. On behalf of Dolat Capital, I welcome you all to Q4 and FY '25 Earnings Conference Call of Kaya Limited. Hope you all and your family members are staying safe and healthy. From the management side, we have with us Mr. Rajiv Suri, Global Chief Executive Officer; and Mr. Arihant Dhariwal, Chief Financial Officer.

Now I hand the floor to the management for their opening remarks, and then we would have question-and-answer session. Over to you, sir.

Rajiv Suri: Thank you. Good evening, everybody. I would like to welcome you to the conference call on the company's behalf. The investor presentation has been uploaded on stock exchanges and contains the financials, key metrics, and business updates. I hope you have had a chance to go through it.

Let me begin the conference call with the quarter 4 highlights, starting with Kaya India Clinics performance. Clinic business registered a 15% collection growth over quarter 4 FY '24. Clinic product business witnessed a 9% growth, mainly driven by categories like Bath and Body, Nutraceutical and Sun Care.

Services business registered a collection growth of 16% over quarter 4 last year, mainly driven by categories like Body contouring, Hair Care, Anti-Ageing and Brightening and Pigmentation. Anti-Ageing category continued to show strong growth of 40% over quarter 4 FY '24. And Body category also continued to show strong growth of 38% over FY quarter 4 FY '24.

Hair Care services aided by advanced diagnostic tools and revamped customer journey witnessed a 14% growth. NPS scores continue to trend higher in quarter 4 FY '25 at 89, reflecting great customer experience that Kaya is renowned for.

A quick update on other initiatives. Kaya soft launched new clinic in quarter 4 in Sarjapur, Bangalore. Sarjapur Road was inaugurated by RJ Rapid Rashmi, a leading name in Bangalore vicinity. It is the 11th clinic in Bangalore, which is enjoying a 4.8-star Google rating. This makes it 4 clinics in FY '25, and we will be accelerating the expansion further in FY '26.

On our Brand Refresh, we renovated 13 clinics in FY '25. We relocated 7 clinics in FY '25. And on service technology to uplift customer experience and outcome, we invested in 9 new dermatology machines, including brightening and pigmentation, Acne, Hair Care, Laser Hair Reduction in quarter 4 FY '25.

On innovation, new product development, contributed to 6% of Kaya India collections and new service development contributed to 6% of Kaya India clinic collections. Using -- use of marketing automation, including WhatsApp bot and web bot helped improve customer experience, easing the appointment process.

On our loyalty program, Kaya Smiles. Kaya Smiles contributed more than 80% of Kaya Clinic collections in quarter 4 FY '25. We focused on experiential marketing for our Kaya Smiles Platinum and Kaya Smiles Gold Elite base by giving free services, which helped us grow some of the collections and by motivating the customers.

On the financial performance, revenue from operations at a standalone level is INR54.7 crores for quarter 4 FY '25, a growth of 3% over corresponding quarter 4 FY '24. Standalone loss after tax and other comprehensive income for FY -- for quarter 4 was negative INR7.1 crores, which includes onetime gain of INR2.4 crores for sale of noncurrent investment and INR3 crores for sale of intellectual property rights in quarter 4.

As compared to profits of loss after tax of INR95 crores over corresponding quarter 3 of FY '24, which includes onetime impact of INR83.2 crores for provision of impairment on investment and INR7.2 crores for costs related to Middle East disinvestment.

As detailed -- the detailed financial information update is already with you in the uploaded investor presentation, and you may refer to that for additional information on the performance.

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

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Prateek Giri from Subh Labh Research.

Prateek Giri: My first question, Mr. Suri is to you. I just wanted to get your opinion on the current business state and the required turnaround also. I'm sure the current state of business is overseen by promoters also. So what thoughts you can share with us about your opinion and promoters' perspective also, given the current business state? That's the first question, Mr. Suri.

Rajiv Suri: Okay. Please answer the -- what's your second question?

Prateek Giri: Second question is to Arihant. So we have noticed a few announcements about repaying the promoters' debt. But if we see our company's balance sheet, we cannot afford any debt repayment. So can you throw some light on the fundraise plans also, how we are going to arrange for the money?

And just third small one, on Kaya products revenue from Marico, any number -- any sense you can share about how our product business is doing under Marico's table? So these are the 3 questions, sir.

Rajiv Suri: So I'll answer the first one. As regards to the path to profitability and the current state of the business, we are going to be raising funds in the imminent -- not-too-distant future through rights issue. And we shall be making that announcement in the not-too-distant future.

Once the rights issue or the fundraising is completed, we expect the current loans to be retired, which will improve the profitability by INR18 crores because that is the interest on an annual basis, which we are paying.

It will make the company net worth positive. We are starting to accelerate the expansion program for growth. We've opened 4 clinics this year to test the hypothesis on the learnings from that. In FY '26, we have already signed 7 clinics, and we are looking for more locations. We are going to be doing higher investments in marketing for customer acquisition.

And by managing costs at the HO level to leverage the current infrastructure, we believe that the path to profitability -- this will lead to the path to profitability. As regards -- what was the question on retail loan? Second question?

Arihant Dhariwal: Second was on the director loan.

Rajiv Suri: Yes, that I have mentioned already. So on the director loan, I've already answered that question.

Arihant Dhariwal: On the Marico -- sales for the quarter from Marico was around INR2.8 crores.

Prateek Giri: For this quarter?

Arihant Dhariwal: For this quarter.

Prateek Giri: And what was the number for the last quarter, Arihant?

Arihant Dhariwal: So Marico collaboration happened this year only from October. So for this half year, it's INR6 crores. And for the quarter, it's INR2.8 crores.

Prateek Giri: So you mean last quarter, it was higher, right, INR3.2 crores?

Arihant Dhariwal: Yes.

Prateek Giri: And is this the revenue which we are generating there? Or is it the royalty which we are getting? I think we are supposed to get royalty from Marico, right?

Arihant Dhariwal: No, no. This is the product sales to Marico.

Moderator: The next question is from the line of Eshit Sheth from Anvil Wealth Management.

Eshit Sheth: Sir, a couple of questions. One, if we see quarter-on-quarter, we've seen a 6% kind of decline in net revenues. However, the collections still have been very good. So our collections a lead indicator of growth? And were there some delays because of which the revenue mobilization didn't happen in this quarter? That is question one.

Second question, you spoke a little bit on profitability where post rights, we would be able to repay interest. But if I look at your gross profits, I think you alluded to in the last quarter as well that the gross margins have slightly come off. So can you speak a little bit about the cost structure?

Because from what I understand is that at clinic level, we are positive, but then the overheads at the back end, which typically constitute about 18% to 20%. So how do you manage that with lower gross profits in order to come back to profitability at the operating profit level before interest before depreciation?

Rajiv Suri: Look, on the first question regarding the collections and net revenue. So typically, in the business, you first get collections and net revenue follows. We had a very strong March, where we had a growth of 26% and consumption of that collection will take place in the following months because the business -- typically, people buy packages and then the packages are consumed over a period of time. So I think this will roll back up in the next few months because people pay, they will obviously come to consume. On the second...

Arihant Dhariwal: So on the second point on where you want to understand that clinic EBITDA is around 25% to 26% and what are the cost structures after that. So our marketing spend is range around 10% to 11% of our revenue. And then we have corporate cost, which is around 18% to 20%, which brings us the EBITDA level at near to breakeven.

Eshit Sheth: So my question is that, obviously, the marketing spends or the corporate spends will not grow in proportion to the top line growth. So -- I mean, historically, in the past, like we used to do 14%, 15% on the operating profit level side. So what I wanted to understand was at what level of revenue are we seeing that kind of profitability? I mean, is it a INR65 crores, INR70 crores kind of a number or it's higher or lower, quarterly?

Arihant Dhariwal: See it's more of a forward-looking statement. But as Rajiv mentioned in the first -- to answer the first question that there is a part to profitability when we'll expand, we'll leverage the head office cost. I think at that point, we will be able to achieve the operating margins and operating profitability.

Rajiv Suri: And look, the reason we need to -- and that is the reason we need to accelerate the expansion program, because on a like-for-like basis, we are trying -- like in quarter 4, we sort of increased by 15%-odd. But if we are having more aggressive expansion, then it's quite possible to have higher growth, which would then lead to profitability in addition to retiring the debt, which, as you know, is about -- cost us about INR18 crores a year money. And also by doing the rights issue, the company will also then become net worth positive from being negative now.

Moderator: The next question is from the line of Prateek Giri from Subh Labh Research.

Prateek Giri: Arihant, just one clarification. So you said we have booked INR6 crores revenue from product sales to Marico, right?

Arihant Dhariwal: Yes.

- Prateek Giri:** If I remember it right, probably, the arrangement was such where we are supposed to receive royalty also, right?
- Arihant Dhariwal:** Yes.
- Prateek Giri:** So this INR6 crores is -- I mean, how is it treated? Is it revenue or is the royalty from Marico?
- Arihant Dhariwal:** So there are 2 parts. One is there is a cost-plus arrangement on the sale to Marico, plus there is a royalty on the using the brand name. So the royalty is somewhere around INR13 lakhs to INR15 lakhs for the period because it directly is related to sale Marico has done. And this INR6 crores is more cost plus sales which we have done to Marico.
- Prateek Giri:** Understood. Very helpful now. So -- and just one last question, Arihant. I think it might be in the purview of guidance. But I was just wondering what time line or deadline we have decided for ourselves to complete this rights issue, 2 months, 3 months?
- Rajiv Suri:** So, we can't give you -- see the amendment has recently been updated, and we are currently evaluating its implications. As communicated earlier and in line with the guidance from our Board, our primary focus remains on raising funds. So we kindly request your patience and assure you that further communication on this matter will be provided in the not-too-distant future.
- Moderator:** The next question is from the line of Mayank Gupta, who is an Investor.
- Mayank Gupta:** Rajiv, I just wanted to understand the competitive landscape a bit better. Any upmarket street I go to, I keep on seeing new hair and skin clinics, which continue to come up. At the category level, would you say the smaller clinics are eating away share from the larger guys? And how do you see at a micro market level where you already have clinics?
- Rajiv Suri:** So I think that look -- we have to look at how fast the market is growing, right? Currently, the aesthetics market is growing -- is estimated to be growing at 17% per year. And as it's growing at 17% per year, there is a lot of interest from local competition in order to try to open. But however, as a brand, we are probably one of the top brands and are able to attract the customer base.
- We have the top level doctors, who have a lot of experience in aesthetics and are able to retain customers to that level. So yes, I think competition is good. And if it is near us in our catchment area, it brings more number of customers. And eventually, we find our sales are getting better due to that.
- Mayank Gupta:** But Rajiv, category is growing at 7% and I mean, we, have been one of the larger guys, are growing at much smaller rate, that would indicate that as we are losing or larger guys are losing share?
- Rajiv Suri:** Yes. So last quarter, we grew at 15%. And therefore, our strategy for expansion is going to play out in the next few months, and that will help us accelerate further. So for example, we are --

we've already got 7 clinics signed for FY '26, and there are more -- which are under search right now, and we will conclude them.

And I think that, look, in the nears time, once we have quite a large number of new clinics opened, layering that growth on top of the like-for-like growth, which we are experiencing now, I think it is quite -- we will be ahead of the market growth.

Mayank Gupta: Got it. And second question is between hair, skin, and body contouring categories, which is the one which we are growing faster? Which is the one which is slower?

Rajiv Suri: So look, for us, our DNA is rooted in skin. And therefore, that category remains our competitive edge to all the competition. And our growth, if you look at it for last quarter, for these categories, has been quite high at about -- so our brightening and pigmentation, for example, it grew by 21%, our Anti-Ageing grew by 46%. And these are the categories where we continue to remain very strong in the market.

Mayank Gupta: Got it. And just last question. In terms of our operating model, the dermats are generally full time or these are largely part time or it's a mix?

Arihant Dhariwal: It's a mix. So we have dermats which are part time as well as full time.

Mayank Gupta: Okay. But any sense on what's the split?

Arihant Dhariwal: So we have total 117 dermats, put together. Both full time and part time, it's total 117 dermats.

Mayank Gupta: No, but the rough split, if you can indicate part-time versus full time?

Arihant Dhariwal: That number, we don't have handy right now. We'll come back to you maybe on that.

Moderator: The next question is from the line of Shriram R who is an Investor.

Shriram R.: Could you please share the breakup between products and services? And also within the services, like if you can just break it down as to how much would be skin and hair as a proportion to your revenue that would be helpful?

Rajiv Suri: Our Product business is 15% in the clinics and about 85% is on services.

Shriram R.: Okay. And within the services?

Rajiv Suri: Look, within services, hair is about 5% to 6% and body is about similar, around 7%, as most of it is skin.

Moderator: The next question is from the line of Shriram R, who is an Investor.

Shriram R.: So we started this renovating clinics sometime last year, right? So how many of your existing clinics, how many are renovated and how many will get renovated in this year?

Arihant Dhariwal: So in financial year '25, this year, we have renovated 13 clinics and relocated 7 clinics. So total Brand Refresh from a clinic perspective is 20 clinics, which have been done in this financial

year. And with respect to next year, since it's a forward-looking statement, we cannot disclose that information.

Shriram R.: No, no. I'm only asking like till date because you must have done something in FY '24 also, right, if I'm not wrong?

Arihant Dhariwal: Yes, yes.

Shriram R.: Yes. So total put together out of your existing clinics, which is 72, right? So out of that, how many are renovated and how many are in the old format?

Arihant Dhariwal: So total 24 renovations till date and 13 relocations till date, to answer your question precisely.

Rajiv Suri: The program will continue into FY '26.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Rajiv Suri: Thank you for participating. We appreciate the time you have taken to attend our investor call. Have a good evening. Thank you.

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