



emami* limited

11th April, 2022

The Manager - Listing
The National Stock Exchange of India Ltd.
Exchange Plaza, Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051
Scrip Code: EMAMILTD

The Manager - Listing
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 531162

Dear Sirs,

Sub: Transcription of Investor's conference call held on 29th March, 2022

Refers to our earlier letter dated 28th March 2022 , we are enclosing herewith copy of the Transcription of Investor's conference call held on Tuesday, 29th March, 2022, on Company's recent acquisition of Dermi Cool brand.

The aforesaid information is also available on the website of the company www.emamiltd.in

This is for your information and record.

Thanking You,

Yours faithfully,

For Emami Limited,

Ashok Purohit

Assistant Company Secretary

Enclo: a/a



“Emami Limited
Conference Call”

March 29, 2022



MANAGEMENT: **MR. MOHAN GOENKA - DIRECTOR, EMAMI LIMITED**
MR. RAJESH SHARMA - PRESIDENT, FINANCE AND INVESTOR RELATIONS, EMAMI LIMITED

MODERATOR: **MR. SAMEER GUPTA - IIFL SECURITIES LIMITED**



*Emami Limited
March 29, 2022*

Moderator:

Ladies and gentlemen, good day and welcome to Emami Limited Conference Call to discuss acquisition of Dermicool brand hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sameer Gupta from IIFL Securities. Thank you, and over to you Mfr. Gupta.

Sameer Gupta:

Thanks, Nirav. Good day, everyone and I would like to first thank Emami to give us this opportunity to host this call and we have Mr. Mohan ji and Mr. Rajesh Sharma from Emami’s side who will be addressing all your queries regarding this acquisition of Dermicool that they have announced.

And without taking more time, I would request Mohan ji and Rajesh to address with their opening remarks.

Mohan Goenka:

Thank you, Sameer and a very good afternoon friends. I welcome you all to this conference call. We are very happy to announce that on 25th March 2022, Emami Limited entered into an agreement with Reckitt Benckiser to acquire the Dermicool brand, which is one of the leading brands in prickly heat and cool talc segment. The transaction envisages purchase of the brand for a total consideration of INR 432 crore excluding taxes and duties, which has been funded through internal accruals.

Emami has always been open for growth through inorganic route. We believe that the right choice of acquisitions not only add value and synergy with the current line of businesses, but also offer opportunities for the organization to be present in categories that have high growth potential. Zandu, Kesh King and Creme 21 are some of the key brands or businesses acquired by us and successfully integrated over the past decade. This acquisition is therefore a part of our aggressive growth strategy and we plan to leverage the brand with our existing strengths to make our presence stronger and deeper in the cooling talc segment.

Dermicool was acquired earlier by Reckitt as part of its acquisition of Paras Pharmaceuticals in 2011. It is well known amongst consumers for providing cooling and respite from prickly heat caused during harsh summer and is one of the leading brands in its segment with a 20% market share. The iconic brand has a strong brand equity with a high consumer connect through its vastly popular jingle, “*aaya mausam thande Dermicool ka*”. The brand has clocked net sales of INR 113 crore in the calendar year 2021 and is available across the country with a direct reach of 1.25 lakh outlets and an indirect reach of about 1.8 million outlets.

The brand is highly profitable and enjoys 55% gross margin and 38% EBITDA margins. Being a noncore brand to the seller they wanted to close the deal in this financial year itself. Therefore, we grabbed the opportunity and closed the deal in the shortest possible time. We had also roped in McKinsey for doing the business diligence.

Brands operating in niche categories with high margins and low multinational presence are a very strong strategic fit for Emami. Therefore, we believe that Dermicool offers great synergy with our existing business and is a perfect strategic fit for growth in core as well as adjacent categories.

It will strengthen our presence to make us the number one player in the prickly heat and cool talc category. We will leverage our distribution, thereby optimizing trade, consumer and media aspects. It is not only present in a high growth and a low penetrated category, but it is also a highly profitable brand, which will be EPS accretive in the first year of operations itself. With increasing global warming and



*Emami Limited
March 29, 2022*

soaring summer temperatures such problem solution niche products are poised for strong growth in future. I am also very happy to share that with this acquisition we are now market leader in six categories where we operated, and we have eight brands generating revenues of more than INR 100 crore.

Though I have covered most of the points in by opening remarks, but still we have shared a presentation and I would quickly like to take you through the presentation and then take the Q&A, if any. So, I am on Slide 1. As I said, the brand is Dermicool, it operates in the prickly heat and the cool talc segment. We acquired the brand for a total consideration of INR 432 crore, excluding taxes and duties. As I mentioned, McKinsey worked on the business and the commercial diligence and post their recommendation we moved ahead to acquire the brand. The size of the total category is almost INR 760 crore, which is the cool and the prickly heat segment. It was growing at almost a 12% CAGR pre-COVID whereas the talcum powder category was going at just 5% CAGR. This category witnessed a decline due to COVID because the last two years during the peak summer season COVID was there. 70% of the sales generated is from the rural markets and 77% of the consumers in this segment are from the C, D, & E segments. The penetration is about 11% to 12%. There is significant headroom for growth as the talcum powder penetration is almost at 45%.

The total size of the talcum market is roughly about INR 2,500 crore and whereas this segment is about INR 750 crore. As I said, this brand has a 20% market share, the size is INR 760 crore. Last year, net sales were INR 113 crore. Ever highest sale of this brand has been INR 133 crore, which was in 2019. The gross margin is 55% and EBITDA margin is at 38%. These are some of the variants in which they operate, the largest variant is, of course, the menthol regular, which is almost 75% of their business comes from the menthol regular. As far as geographical split is concerned, north contributes to almost 40%, west is 30%, east is 17% and south is 13% and channel wise general trade is 84%, modern trade is 12% and CSD is 3%. What is very, very important that post this acquisition now we have become the number one player in this cool and prickly heat segment with a 45% share..

As I said we have always believed in niche categories with high margins and with low MNCs present, so it became a very, very strategic fit for Emami. We also believe that we were attracted on the valuation side, and I think we have acquired it at a very, very reasonable valuations. Post this acquisition, now we are market leaders in six categories, starting from antiseptic cream, cooling oils, male fairness creams, pain balms, Kesh King and prickly heat segment. This is the eighth addition in our portfolio where our revenues are more than INR 100 crore. In this slide, you can see the revenues of Zandu is more than INR 800 crore, Navratna is more than INR 600 crore, BoroPlus is INR 500 crore plus, Kesh King is INR 300 crore plus, Fair and Handsome is INR 200 crore plus, Mentho Plus is INR 200 crore plus, 7 Oils in One is INR 100 crore plus and is Dermicool is INR 100 crore plus.

With this, I now open the floor for Q and A.

Moderator: Thank you very much. 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: Yes. Hi, Mohan ji, congrats. My first question is two brands in the same space. So, in terms of pricing, brand, regional dominance, could you take us through what will be the differences? Will this be a more premium brand versus your current in-house offerings?

Mohan Goenka: So Abneesh, both the brands are different brands though they operate in the cooling talc segment. Dermicool is predominantly in the prickly heat segment and Navratna is a general cool segment. So, it operates in the cooling talc area and this is into the prickly heat cooling talc area, okay? Secondly, of course, Navratna operates more in the mass segment because Navratna's total contribution comes from the LUPs, the small size SKUs. So almost 40% of the revenue comes from below INR 10 SKUs.



*Emami Limited
March 29, 2022*

Whereas Dermicool's almost 80% to 90% of the revenue comes from 150-gram SKU. So they operate with two different set of consumers, I do not think they overlap that way.

Abneesh Roy:

And in terms of market share you mentioned it is 20% versus say five, six years back when say Reckitt would have initially bought out from Paras, any sense you have on market share? And I was surprised that this is a more specific product for prickly heat, but it is a number three player behind you. So is it because you have two brands in that space that is why you were larger than Dermicool?

Mohan Goenka:

No, I am only talking of Navratna because BoroPlus prickly heat is a very small segment for us, but yes we overtook Dermicool because we were a general talc and as I said because of the smaller SKUs our sales is much, much higher than Dermicool today.

Abneesh Roy:

Okay. And Mohan ji you mentioned again and again you have become number one.

Mohan Goenka:

And very honestly, we also believe that Reckitt did not focus so much on this category, whereas Navratna Cool Talc we were very, very aggressive on our advertising and communications over the last few years. That is also one of the reasons that Navratna overtook Dermicool in a very short time.

Abneesh Roy:

So will it be fair to say that initial marketing spends will be on higher side given MNC focus was not there and in fact, Dermicool, as you said, lost share to your own brand. So will you need to spend much higher and will you prioritize, say Dermicool ad spends over Navratna ad spends?

Mohan Goenka:

No, definitely we would have to increase our expense because over the last two years none of us have spent so much money because of COVID during the peak summer seasons. But at the same time we have done a lot of maths, I think, even after there is a scope of increasing margins, so we would do that and we would invest on advertising. So there will not be much pressure on the margin front.

Abneesh Roy:

Sure. My second and last question is if I see earlier acquisitions, Zandu, Kesh King, Creme 21, they added to your overall product capability or brand capability, this acquisition in that way is very different. Ultimately for consumers, it is in the same prickly heat or whatever cooling talcum powder and you said again and again that we will become number one. So one, why this is more of an acquisition in the same space, why did you do this? And when you say you have become number one, what are the ramifications of that? I understand you are now well ahead of Nycil, but what does it get you in terms of medium, long-term say sourcing benefit, distribution becomes stronger, what is the end result of that?

Mohan Goenka:

There are multiple benefits Abneesh because if you would see, Navratna was launched almost about seven, eight years back and we became quite a dominant player in this segment. We see the overall talcum market, which is almost INR 2,500 crore, whereas none of the players are spending the kind of money that the category needs other than very few and we have demonstrated that there is an opportunity to grab substantial market if somebody takes it aggressively. So we feel that there is opportunity in Dermicool, if we advertise and we market it properly, there is a substantial headroom for growth.

Secondly, if you would see the normal talc is growing at just 5%, whereas this segment is growing at almost 10%, 11% pre-COVID and it is not a very small market size. So, we believe there is enough scope to take shares from general talc, that is one and there are also opportunities geographically where we see that Dermicool can play a substantial role.



*Emami Limited
March 29, 2022*

Thirdly, we believe there is an opportunity in penetration because Dermicool as I said almost 90% revenue comes from a larger SKU, there is no small SKU in Dermicool. Whereas Navratna operates in a small SKU, almost 40% revenue comes from a small size. So there are opportunity like those, also, we found that valuation was very, very, because we understand this business, we understand this market, our distribution is common, we do not have to invest much on CAPEX or anything. So, we can grow the Dermicool brand at a double-digit growth for a few years. That is what it looks like.

Abneesh Roy:

Okay, thanks, that's all from my side. Thank you.

Moderator:

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

Harit Kapoor:

Hi, good afternoon, Mohan ji, I just had two or three questions, when Reckitt purchased the Paras portfolio, they bought it at...

Mohan Goenka:

Harit, can you be a little louder? I cannot hear you clearly.

Harit Kapoor:

Yes, Mohan ji, can you hear me know, is it better?

Mohan Goenka:

Slightly better, go ahead.

Harit Kapoor:

Yes, so my question was, when Reckitt purchased the Paras portfolio it was at, I think between 7x to 8x sales, eventually sold out a part of it in a year to Marico and now this transaction happening at probably three and three and a half times' peak sales for this brand, I just wanted to get a sense of why do you think that they have under invested in this space in a portfolio that they paid a tremendous premium for, any thought from your end on why this has been under leveraged?

Mohan Goenka:

No, Harit, I can't comment on that, honestly, because that is their strategy, why did they under invest. Whereas Navratna cool talc we really invested and in the end maybe they didn't believe in the category, there could be multiple reasons on the overall size of Reckitt, maybe this was too small for them to focus on, so there could be multiple reasons. As I said, we found it to be very attractive, we still believe that the market can grow, every consumer in India cannot consume deo, so talcums are here to stay and there is a room for two players in the market.

Harit Kapoor:

It's fair to assume that your own brand, Navratna Cool Talc could have been going ahead of the pre-COVID CAGR, four year CAGR that is there for the category, right, because you continue to gain in market share?

Mohan Goenka:

Harit, actually your voice is not coming through.

Harit Kapoor:

Can you hear me, sir?

Mohan Goenka:

Yes, go ahead.

Harit Kapoor:

Yes, I was just saying that would it be fair to assume that Navratna Cool Talc is growing ahead of this four year CAGR of 11% for the category, your growth would have been much higher, right, because you have gained market?

Mohan Goenka:

Oh Yes, absolutely. We were growing the fastest in this category.

Harit Kapoor:

The third thing was on the Dermicool side, any product extension that you can kind of think of upfront that could also be a lever over and above just the fact that you can



*Emami Limited
March 29, 2022*

shrink the SKUs and drive penetration. Could that be also a future thought process in terms of variants?

Mohan Goenka: Yes, 100%, Harit. As I said, we roped in McKinsey and they have given us a lot of levers for growth. So once we settle with the acquisition, when it comes into our fold, we will definitely start looking at further extensions into this category.

Harit Kapoor: And the last question...

Mohan Goenka: It's a very strong problem solution category because we have understood from the consumer and there are a lot of antifungal benefits associated with Dermicool. So there is opportunity, as you know, Emami has always believed in problem solution brands, niche categories, so we see an opportunity on that front, particularly on Dermicool.

Harit Kapoor: Got it, Mohan ji. Last question was on any assets that comes with this or it is completely brand acquisition?

Mohan Goenka: Yes, it is brand acquisition.

Harit Kapoor: Perfect. Wish you all the best. Thank you.

Mohan Goenka: Also, I would like to mention that, of course, the margins are higher because they have not advertised so much over the last two years, but at the same time, just to give a perspective like Navratna cool talc gross margin of this size is almost in the range of 67%, 68% whereas Dermicool margin is 55%. We see a headroom for growth in margins there, which we will put it on advertising. So, I do not see much pressure on EBITDA margin going forward.

Harit Kapoor: Got it, Mohan ji, thank you so much. Wish you all the best.

Moderator: Thank you. Participants, you may press '*' and '1' to ask a question. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Yes, hi, Mohan ji and Rajesh ji, good afternoon, thanks for the facility and hearty congratulations. Finally, after 14 years, we have got brand in your portfolio. So I have got three specific questions, you mentioned that INR 132 crore is FY '21, what is the revenue size in FY '22?

Mohan Goenka: This year?

Shirish Pardeshi: This year.

Mohan Goenka: Shirish ji, the size of the brand Dermicool was INR 113 crore in calendar year '21. So Reckitt was following the calendar year accounting, so the number INR 113 crore is for calendar year '21 and the next year is still running in third month only.

Shirish Pardeshi: Okay. My second question is that if I look at and if we consider the industry experts view, I think both the brands are very strong in the north and west market while when I look at Navratna is very strong in north and east market. How are we trying to tackle the southern markets or you think southern market is purely a talc market and we will not address at this point of time?

Mohan Goenka: No, so you are right Shirish, we will become a very strong player in the north, because Navratna is also very strong in the north. As I said, they do not really overlap because our quite sizeable business comes from a small SKU and both operate differently, one takes shares from a general talc market because Navratna is



*Emami Limited
March 29, 2022*

general talcum, cooling talc whereas Dermicool is specific prickly heat, though it is cooling, but it operates into the prickly heat category. So, both really do not overlap so much.

Shirish Pardeshi: I got Mohan ji what you are saying, I am saying, how are you going to use penetration of south market or primarily we will have the brand extension in the talcum powder market in the south?

Mohan Goenka: No, so, Navratna is not very dominant in south, Navratna sales is predominantly in the west and the north, whereas Dermicool presence is only 13% in the south. So, south market is not very large as far as this category is concerned we will have to, of course, plan something. We would have to see how much can we penetrate in the south. But right now our strategy would be first gain what we have lost over the last two, three years or what they lost in the last two, three years, then we would of course go into the penetration launching new SKUs, variants in different geographies.

Shirish Pardeshi: Okay. The other question I had, like you mentioned that Navratna has a smaller SKU, which is contributing the larger share, are you planning to bring in a smaller pack for Dermicool in the next one, one and a half month?

Mohan Goenka: No, right now we can't introduce, if anything that comes would be for the next season only, not for this season.

Shirish Pardeshi: Okay. So how are you going to tackle this season? I mean, now whatever IMD projections are there, we will have the record break summer this time. So how are you going to leverage in next two, three months this brand acquisition?

Mohan Goenka: So, right now the distribution is with them only for this season, because we don't want to disturb the season for this year, otherwise we might lose out on the consumer base. This season they will distribute themselves.

Shirish Pardeshi: Okay. And the last question that when I saw the presentation, the largest part is coming from GT, but however, when we say that we also have the large pack. What is the reason why this brand is not getting higher selling in the modern trade?

Rajesh Sharma: For this category, Shirish ji, Dermicool is already getting contribution of up to 12% from modern trade, which is, I would say very decent for this category.

Shirish Pardeshi: Okay. And how much we get for Navratna from modern trade?

Rajesh Sharma: We have smaller contribution for modern trade for Navratna cooling talcum. So there will also be some opportunity to leverage this channel as far as both brands are concerned.

Shirish Pardeshi: Okay. All right, Rajesh ji and Mohan ji, thank you. All the best.

Moderator: Thank you. Participants you may press '*' and '1' to ask the question. The next question is from the line of call of Gaurav Jogani from Axis Capital Limited. Please go ahead.

Gaurav Jogani: Thank you for the opportunity, sir. My first question is with regards to the engagement of this acquisition, I mean, how this brand which will be amortized and how many years?

Rajesh Sharma: So, Gaurav we are amortizing our all brands over a period of seven years. So this brand will also get amortized roughly during that period. Gaurav, did I answer your question?



*Emami Limited
March 29, 2022*

- Moderator:** The line for the participant dropped, we will move to the next participant. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Yes, Rajesh you said seven years, right?
- Rajesh Sharma:** Right.
- Prakash Kapadia:** Okay. And would there be a substantial difference of taxes and duties or we assume this 4.6 million?
- Rajesh Sharma:** On this brand we have to pay GST, which would be input for us and rest would be mainly stamp duty impact.
- Prakash Kapadia:** Okay. Will not be any substantial figure, which would change, right?
- Rajesh Sharma:** Yes. GST is 18%, but that is an input, not an expense, and others are smaller amounts, stamp duty and others.
- Prakash Kapadia:** One of the rationale was leverage on our Emami distribution. So could you give us some sense of how much is our talcum powder reach direct, indirect? What has that been and how does this add to the synergy benefit?
- Rajesh Sharma:** So, Dermicool is reaching directly to around 1.25 lakh outlets as Mohan ji mentioned earlier whereas our reach is higher, we are reaching to 2 lakh outlets directly. Indirect reach is almost similar at 1.8 million and in modern trade Dermicool is more stronger compared to Navratna, so that is some benefit we would get, we are taking Navratna which is largely through the LUPs in the rural markets, I think in rural, investment we would get some synergies when we take Dermicool also and Dermicool is much stronger in south than us. So, some of these distribution benefits over a period we would be getting.
- Prakash Kapadia:** Okay, understood. That's it from my side, thank you.
- Rajesh Sharma:** Thank you.
- Moderator:** Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Hi, sorry, I think my line got disconnected, have you answered the question for the brand amortization? I am sorry, I missed that part.
- Rajesh Sharma:** Yes, so we would be amortizing it over a period of seven years similar to the way we amortize our existing brands.
- Gaurav Jogani:** Will there be any taxation benefits on this because of amortization benefits?
- Rajesh Sharma:** Amortization is a charge to the P&L so obviously our profits would reduce and accordingly we would pay taxes on whatever profits we have in our books.
- Gaurav Jogani:** Okay, sure, sir. And the next question is with regards to, as sir has mentioned earlier, that while the overall talcum category is INR 2,500 crore, whereas the prickly heat or the cooling talc category is only INR 760 odd crore. So what will be the strategy here, will it be the strategy to grow the overall market or will it be deviating share from the talcum market, how we will be approaching growth in this category going ahead?



*Emami Limited
March 29, 2022*

- Moderator:** Hello, sir, can you hear us?
- Rajesh Sharma:** Yes, so as Mohan ji mentioned earlier, Dermicool is a prickly heat powder, which competes more with Nycil and Navratna is a normal talcum powder with cooling benefits, which has created a niche among itself in the category. So Navratna is more towards getting share from the overall talcum powder category and we would also invest on the Dermicool side to grow the category and for the brand as well as the category.
- Gaurav Jogani:** So, my question actually, sir, was will it be more conversion of the talcum powder user to a prickly heat user or how the strategy would be?
- Rajesh Sharma:** So this prickly heat category would get benefit because of the harsh summer season. This is a problem solution category and in case of the intense heat consumers gets the boils on the body, then obviously the usage of this category would grow. So this conversion from normal talcum to prickly heat would happen in case of more problem kind of a scenario, more intense heat. And coming to the normal talcum powder category Navratna offers the benefit of the cooling and other talcum powders does not have that benefit. So obviously in the summer season with the benefit of cooling adds lot of advantage and hence the Navratna talcum gets a good edge over the other normal talcum powder.
- Gaurav Jogani:** Sure, sir. Understood. And sir last question is, post the buyback that we have done and post this acquisition...
- Mohan Goenka:** Gaurav, can you hear me?
- Gaurav Jogani:** Yes sir, we can.
- Mohan Goenka:** This is Mohan here. So see the larger point is that the total market is INR 2,500 crore and what we have been observing in this particular area is that none of the players are really taking this category very seriously or investing that kind of a money, whether it is Ponds or whether it is the other players. Whereas Navratna identified and we started advertising very aggressively and you have seen we have almost become INR 150 crore, INR 180 crore brand over last few years.
- As I said, we still believe that the category has immense potential if we advertise both Navratna Cool Talc and also the Dermicool, this is what is our strong belief. Of course, there would be some consumers who would come in from the general talc and, of course from competition also, that is our first thing that we want to grab on. Then over the period, of course, there would be extensions, there would be multiple things that we can do. There is also an opportunity we can merge it with any of our existing brands. Why not? So we would evaluate a lot of things and then take a call.
- Gaurav Jogani:** Sure, sir. This is helpful and just one last question from my end is, so post the buyback of INR 162 odd crore and this acquisition, how much cash would be left with us now post this?
- Rajesh Sharma:** We have used the surplus cash whatever we had and by the end of March or even currently also we have some working capital debt of roughly INR 200 crore. So, we do not have any surplus cash, net cash is not there, there would be some working capital debt of INR 200 crore.
- Gaurav Jogani:** Okay, thank you, that's all from me.
- Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital Limited. Please go ahead.



*Emami Limited
March 29, 2022*

- Shirish Pardeshi:** Yes, hi, Mohan ji, thanks for the opportunity and repeat. There are three questions which I would like to ask now. One is that we are taking over the brand, so can you spend a minute or two saying how are you going to manufacture? Are these going to be third party or are we going to manufacture in our own facility?
- Mohan Goenka:** It would be a third party manufacturing. In fact, both Navratna and Dermicool are produced by the same party, so we will continue from there only.
- Shirish Pardeshi:** Okay. And is there any different raw material what we are using in Navratna than in Dermicool?
- Mohan Goenka:** Yes, there are some ingredients which are, of course, different because Navratna being a general cooling talc whereas Dermicool is specifically on the prickly heat side.
- Shirish Pardeshi:** So what difference in the raw material? Is it that menthol?
- Mohan Goenka:** No menthol is common, but there are certain ingredients, which I would not be able to comment on, I am not an expert into that, but there are some ingredients which are specifically to deal with antifungal.
- Rajesh Sharma:** So it is more medicated kind of properties.
- Shirish Pardeshi:** No, I am just asking because Mohan ji did mention and you said that there is a scope for improvement on gross margin. So I just wanted to understand how this gross margin expansion will happen?
- Mohan Goenka:** Yes, because we also have BoroPlus prickly heat powder, Shirish and we know the margins of BoroPlus prickly heat powder, BoroPlus prickly heat powder has higher margins than compared to Dermicool.
- Shirish Pardeshi:** Okay. And the last question on the rural part, we do have a higher saliency for Navratna from rural part, how much Dermicool enjoys in the rural share?
- Mohan Goenka:** Dermicool is also similar. Dermicool also enjoys a big rural penetration, Dermicool share from rural, if I am not mistaken, Rajesh, is more than 65%?
- Rajesh Sharma:** Yes, kind of, because it is also largely sold through wholesale and super stockist model so it would be in the similar range.
- Shirish Pardeshi:** Actually that was the question you have pre-empted, I just wanted to understand because you have a short season and in the beginning of the season, say in the month of February or March, we load the trade. So in both the cases what is our understanding, how much the wholesale contribution comes for this particular category?
- Rajesh Sharma:** So wholesale for Dermicool would be around 35%.
- Shirish Pardeshi:** And for us, for Navratna?
- Rajesh Sharma:** For Navratna it is slightly higher, 38% to 40% kind of levels.
- Shirish Pardeshi:** Okay. So you mean to say you still have a distribution dominance in the GT than wholesale.
- Rajesh Sharma:** Right.



Emami Limited
March 29, 2022

- Shirish Pardeshi:** Okay, sir. Thank you.
- Moderator:** Thank you, participants you may press '*' and '1' to ask a question. The next question is from the line of Tejas Shah from Spark Capital Advisors. Please go ahead.
- Tejas Shah:** Hi, Mohan ji, hi Rajesh ji, just one question, I am not sure if you answered this question earlier, but is there any seasonality in revenue here, which is like treated much in favor of 1Q or 4Q?
- Rajesh Sharma:** Yes, Yes, it is a highly seasonal brand. It sells mostly from February till April, May.
- Tejas Shah:** So, what will be the proportion roughly coming from this month of overall its annual revenue?
- Rajesh Sharma:** Almost 90% of the revenue comes from these months.
- Tejas Shah:** Okay. And as we actually neutralize, or as you said, we want to expand the value proposition to non-prickly heat also then perhaps this can distribute over a period of time?
- Rajesh Sharma:** Even, Navratna Cool Talc is highly summer, though it is a non-prickly heat, but it sells during this season only.
- Tejas Shah:** Okay. Perfect, that's all from my side, thanks.
- Moderator:** Thank you. Ladies and gentlemen, you may press '*' and '1' to ask a question, participants you may press '*' and '1' to ask a question. The next question is from the line of Harsh Shah from Incred Capital Financial Service. Please go ahead.
- Harsh Shah:** Yes, hi team. Sir, just one question, when you acquired Zandu, Kesh King and Creme 21, you would have made some internal estimate for the next five, seven years, so how were the actual results for those brands compared to your internal initial estimates?
- Mohan Goenka:** We are, of course, very happy with most of our acquisitions that we have done in the past. Zandu has, of course, surpassed all our expectations that we had expected. Of course, there were some challenges for Kesh King which is fairly well known now and same for Creme 21, since we acquired, there has been this COVID impact and all that, but now Kesh King is doing extremely well. We have seen it over the last one year, here are multiple things. One, we believe that none of the larger players are investing on the categories, so there is substantial room for growth if we keep right focus. The margins are very, very high, so we can invest on the brand and there is ample room for growth for the first five years, at least a double-digit growth is what we expect to come in Dermicool for the first five years.
- Harsh Shah:** Okay. Thank you, sir.
- Moderator:** Thank you. The next question is from the line of Kunal Shah from Jefferies India Private Limited. Please go ahead.
- Kunal Shah:** Thank you, sir, for the opportunity. I have just one small question. So, is there any specific appointed date for this acquisition or would it be applicable right away and we will be booking the whole revenues in April and May, which come through for FY '23?
- Rajesh Sharma:** Yes, so we would be getting our revenues from 1st April.



*Emami Limited
March 29, 2022*

- Kunal Shah:** Got it, thank you for that.
- Moderator:** Thank you. Participants, you may press '*' and 1 to ask a question. Ladies and gentlemen, you may press '*' and '1' to ask a question. Anyone who wishes to ask a question may press '*' and '1'.
- Mohan Goenka:** We can now close the session, if there are no more questions.
- Moderator:** As there are no further questions, I now hand the conference over to Mr. Sameer for closing comments.
- Sameer Gupta:** Okay. So I would like to thank the Emami management for coming out with all the clarifications. I hope that all the participants have got their clarifications that they intended to and thanks again for giving IIFL the opportunity to host this call. I would like to hand over now to the management for any closing remarks.
- Mohan Goenka:** Thank you, Sameer. Thank you all the participants for joining us today. Thank you. Have a good day.
- Rajesh Sharma:** Thank you, everyone.
- Sameer Gupta:** Thank you very much. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

Disclaimer - The following transcript has been edited for language, errors and grammar and therefore, it may not be a verbatim representation of the call