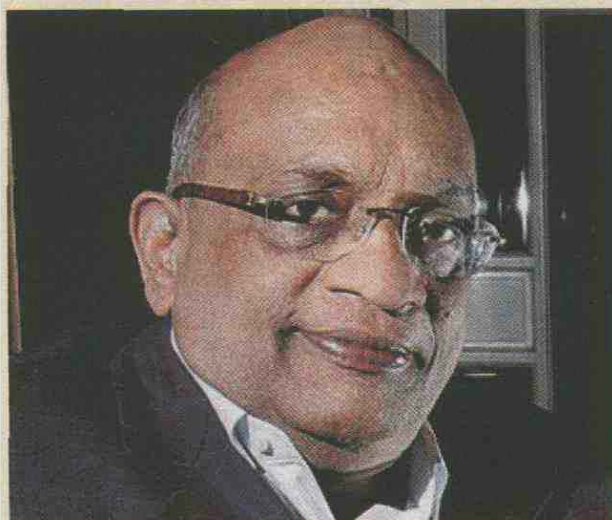


## Emami

### Powerful thrust by power brands



R.S. Agarwal

**"Though** the business of the company witnessed growth across all brands, most of its power brands like Boroplus, Zandu Balm, Navratna, Fair & Handsome, Menthoplus, Fast Relief and Zandu Pancharishta have been gaining substantial market shares these days." Points out Mr. R.S. Agarwal, Executive Chairman of Emami with a smile of satisfaction on his face.

According to him the company possesses a strong brand portfolio catering to various consumer needs and now it is positioned to capitalise on opportunities in a growing Indian market. It hopes to continue to strengthen this advantage with innovation excellence, faster execution, sharper focus on consumer needs and improved distribution reach.

Analysing the company's performance in the Q2 FY 2013, Mr. Agarwal says that "the consolidated net sales has grown by 18% to Rs 360.66 crore while net profit was up by 17% to Rs 59.18 crore. The domestic business witnessed good growth of 22% led by 16% volume growth. During the Q2, Navratna grew by 14%, Fair and Handsome by 26%, together Zandu Balm and Mentho Plus Pain Balm grew by 11%, Boroplus Antiseptic Cream grew by 15% and Talcum Powder grew by 19%. Zandu ethical, generic and other OTC range grew by 28%. Navratna Extra thanda oil grew by 50%. Volume growth of Navratna was 6%, talc was 18%, balm was 6%, Fair and Handsome was 20% and Zandu ethical, generic & other OTC range was 25% for Q2. The contribution of Navratna was 20%, Boroplus Antiseptic Cream was 15%, Talc was 10%, Balm was 20% and Fair and Handsome was 10% to total sales. Fast Relief ointment has grown by 40%. Balm has grown at lower rate because the

company carried its trade on cash and since winter is approaching, the distributors have lowered the inventory of balm and diverted their money to other products."

According to Mr. Agarwal, though the Indian market is reporting a good growth for the company's products, the overseas market has remained a concern. For the Q1 FY 2013, the International business grew only by 3%. In fact, only SAARC region has shown growth, in which Bangladesh has grown by 60% in Q2. Problems in CIS region are not solved. International business contribution is around 20%, out of which Russia is 75%. While CIS, GCC and SAARC spearheaded growth in the international business, North African sales were affected owing to political instability, volatile currency and a defocus on low margin brands.

Referring to the raw materials, the Chairman says that "menthol prices was up 50% Y-o-Y basis, however it is softening now. The current price is around Rs 1500 MT. The average price in Q2 was Rs 1900 mt since the company has entered into long term contract. Since it has high price inventory now, the company may get benefit of lower prices, if price remain at this level, in Q4. Menthol cost is 20% of total raw material cost.

#### Other points made by Mr. Agarwal:

- The management is going slow on new launches.
- Except in Fair and Handsome, the company is not seeing any major competition in other categories.
- The capex is Rs 50 - 60 crore for FY13 and FY14 both together.
- The company is revisiting its Egypt plant, which will take 9 months to come.
- The North-Eastern plant will come up in next 18 months.
- Rural contribution is around 50%.
- The management expects sales of Rs 60 crore from Bangladesh for FY13.
- Tax rate for FY13 will be around 15%, which will go slightly up in FY14 and from FY15 it will be around 20%.
- The company has 1600 frontline sales persons, 3000 distributors and 5.6 lakh direct outlet reach against 5 lakh a year ago.
- The company's direct retail coverage increased to 5 lac outlets. It initiated Bangladesh and Egypt units.
- Emami's Research & Innovation Centre is a science-driven, consumer-centric and business aligned power house, comprising structurally-sound, intellectually-strong and a wealth of creative talent, all supporting Emami's leadership in personal care, health and wellness and ayurveda.