



emami* limited

9th August, 2021

The Secretary
The National Stock Exchange of India Ltd.
Exchange Plaza, Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

Dear Sirs,

Sub: Transcription of Earnings conference call held on 2nd August, 2021

With reference to our letter dated 28th July, 2021 regarding Earnings Conference Call, post declaration of Unaudited Financial Results of the Company for the First Quarter ended 30th June, 2021 at the Board Meeting held on 2nd August, 2021, we are enclosing a copy of the transcription of Earnings Conference Call.

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

Kindly take the same in your records.

Thanking You,

Yours Sincerely,

For Emami Limited,

A. K. Joshi

Company Secretary & VP-Legal

Encl.: As above



“Emami Limited
Q1 FY2022 Earnings Conference Call”

August 02, 2021



ANALYST: MR. PERCY PANTHAKI – IIFL CAPITAL LIMITED

MANAGEMENT: MR. MOHAN GOENKA – DIRECTOR - EMAMI LIMITED
MR. RAJESH SHARMA –PRESIDENT (FINANCE & IR) - EMAMI LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Emami Limited Q1 FY2022 Earnings Conference Call hosted by IIFL Capital 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Percy Panthaki from IIFL Capital Limited. Thank you and over to you Sir!

Percy Panthaki: Good afternoon everyone. Welcome to the Emami’s quarterly conference call. Emami has reported good set of numbers, sales up 38% and similarly EBITDA also up by an equal amount which is better than our estimate and to take us through the quarterly results we have from the company Mr. Mohan Goenka – Director and Mr. Rajesh Sharma – President (Finance) and IR. So without further ado I would like to hand over to Mr. Goenka.

Mohan Goenka: Thank you Percy. A very good evening friends. I welcome you all to this conference call on Emami’s result for the first quarter ended June 30, 2021. I hope all of you and your loved ones are safe and keeping good health in the current uncertain times induced by the pandemic. As we all know the second wave of the pandemic had a devastating effect on not only people’s lives but the industry as well which affected the momentum of its recovery. While the initial weeks of April witnessed a sustain momentum of growth may prove to be a challenging month with the subsequent increase in COVID cases. It was unfortunate that the second wave of the pandemic hit during the peak summer months just like the first wave had hit us during these months last year. This once again resulted in impacting the performance of our summer portfolio. Moreover unlike the first wave this time rural markets were severely impacted due to the high incidence of cases in the rural areas. Even the demand for immunity and hygiene products were muted compared to the first wave.

Notwithstanding the challenges that we continue to face we are delighted to have been able to post one of our most profitable performances during the quarter. Our profitability was not only higher than the base quarter which was impacted by the lockdown, but also much superior to Q1 FY2020 which was a normal quarter. While our overall revenues at 661 Crores grew by 37% over Q1 FY2021, it was higher by 2% over the base quarter of last to last year that is Q1 FY2020, which we believe is robust considering the severity of the impact of second wave and particularly for summer products.

During the quarter our domestic business grew by 42% with our pain management range growing by 70%, Navaratna by 21%, Kesh King by 53%, male grooming by

78%, and 7 Oils in One by 93%, Boroplus range grew by 96% excluding the sanitizer sales. Our healthcare business with its basket of Ayurveda based innovative products as well as digital-first products have continued to witness a robust growth of 59%. Further, our new launches contributed to 3% of domestic revenues during the quarter.

If we compare our growth against last to last year that is Q1 FY2020 which was a normal quarter our domestic business grew by 5% with both pain management and healthcare range growing by 95%. Boroplus excluding sanitizer grew by 32%, 7 Oils in One by 17% and Kesh King by 2%. Navaratna unfortunately declined by 29% and male grooming range declined by 47% due to the lockdown in peak summer season and low demand for discretionary products.

During the quarter modern trade grew by 63%, and e-commerce continued its robust run growing by 3.7 times. Our own e-commerce portal Zanducare is also growing at a rapid pace with more than 1 Crore visitors since launch. In Q1 FY2022 e-com business increased its contribution by 300 basis points to 5% of domestic revenues now. Our projects to increase footprint in rural areas to Project Khoj and focus on standalone modern trade is progressing steadily.

International business grew by 17% during the quarter. Barring Middle East geographies all other regions posted strong growth during the quarter. We posted record profits during the quarter despite high input cost pressure which highlights our resilience. Our gross margins at 66% were lower by just 50 basis points over previous year. We largely protected our margins on account of judicious price increases across the portfolio. EBITDA at Rs.170 Crores grew by 38% and EBITDA margins at 25.7% grew by 20 basis points. PAT at 78 Crores grew by 97% and PAT margins at 11.8% increased by 350 basis points. Cash profit at 161 Crores also grew by 41% and cash profit margins at 24.3% grew by 50 basis points. If we compare our financial performance over last to last year that is Q1 of FY2020 our gross margins were higher by 180 basis points, EBITDA grew by 27%, and EBITDA margins also grew by 500 basis points. PAT grew by 98% and PAT margins grew by 570 basis points while cash profit grew by 31% and cash margins also grew by 540 basis points.

With the graph of COVID-19 at this moment declining steadily we are hopeful of steady performance in coming months. We will continue to focus on our future ready business strategies and digitization. We will also continue to expand our footprints across rural regions and newer formats of modern trade. Our experience in combating the onslaught of COVID-19 last year which took everyone by surprise has made us today more over ready and our committed team which performed and contributed by meeting the challenges head on. We are also working constantly to deliver despite hardships that the second wave of the pandemic brought to each one of us. We will continue to innovate and use our past experience to overcome any future challenges in

the future and are confident of achieving desired business objective and deliver great results. With this brief I now open the floor for Q&A. Thank you so much.

Moderator: Thank you very much. Ladies and gentlemen we will now begin the question and answer session. We have a first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Thanks and congrats on good set of numbers. My first question is on Kesh King. So on two years basis 2% growth versus overall domestic sales growth of 5% so are you happy with that number and second is the brand ambassador of Kesh King is obviously currently the family is going through controversy and there is lot of press coverage also so could that impact the brand negatively and any plans to change the brand ambassador?

Mohan Goenka: Abneesh we are quite happy with the performance of Kesh King and Kesh King as you know is a rural brand which got a little impacted in the first quarter but we have seen good growth coming in the month of July so seeing at the numbers of July I think the brand is in a very, very solid state. Yes, unfortunately as far as the celebrity is concerned we have not taken any decision as of now we are just monitoring the situation, let us see what we decide, but definitely Kesh King is showing good trends in the month of July.

Abneesh Roy: My second and last question is on the new products for example you have put that Navaratna Therapy range, etc. are these more for e-commerce and last year lot of new products helps every FMCG company this year things are very different so if you could discuss the new product contribution expected this year and if you could talk about some of the e-commerce on new products also?

Mohan Goenka: So Abneesh you would have seen in the first quarter also our contribution from new products was 3% for domestic and this is last year sanitizers were very high, this year sanitizer sales were almost zero so yes we have constantly been saying we would be launching a lot of digital first brands in almost all our portfolios and we have started with Navaratna, we are ready with some of the launches under Fair & Handsome, some of the launches in Kesh King we launched so let us see how it progresses, but we would be very aggressive as far as our digital brands are concerned.

Abneesh Roy: Any update on your own e-commerce?

Mohan Goenka: Definitely in my concall I said since launch in nine months we have got almost 1 Crore consumers have visited our site and we have a huge data of consumers who are buying, there are a lot of repeat purchases, by every passing day we are strengthening this site Zandu Portal, we have recruited a lot of new faces, young faces for Zandu Portal. So

new products would come only for Zandu, so I am very bullish in the next two, three years this would be an absolute new channel for us, everyone, at least for us.

- Abneesh Roy:** Thank you that is very helpful and all the best.
- Moderator:** Thank you very much. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Just wanted to get some sense on rural growth in the quarter considering that the second wave impacted that segment disproportionately versus the first one?
- Mohan Goenka:** Yes, so Tejas as we have constantly been saying that rural has been a little subdued in this quarter and rural has not grown as much as the urban growth is concerned.
- Tejas Shah:** Is it materially low?
- Mohan Goenka:** Not materially low because some brands have done well in the rural areas, but it is slightly lower compared to the urban growth.
- Tejas Shah:** Second question pertains to male grooming range recovery struggle there you called out in your opening remarks that discretionary/grooming categories were under pressure, but when we see your portfolio 7 Oils in One or Pain Management range which has been more discretionary in nature most of those categories have done very well on recovery, so anything specific which is lagging here?
- Mohan Goenka:** If you would have noticed two years trend now, even male grooming declined by almost 27%, 28% on a two year basis because last year the male grooming had no base that is why it grew at 78%, 80%, but on a two year basis it is still declined.
- Tejas Shah:** Yes, my question was that only MohanJi that why that segment is not bouncing back versus rest of the other, Navaratna you explained that there is seasonality, but male grooming had no such factor as I can think of?
- Mohan Goenka:** So if you would notice Tejas only two brands on a two year basis declined so for summer portfolio there is a very clear reason that why it declined and because there were no social events because of the lockdown particularly the male grooming because there were no outings, people were not going to offices or to parties or social events so that product also suffered, it is complete discretionary and now in the last three, four weeks we are seeing the momentum coming in the male grooming also.
- Tejas Shah:** You spoke about e-commerce contributing 5% what will be the constituent of this third party market place versus our own website business?

- Mohan Goenka:** If 5% is total e-com our Zandu portal would be about 1%.
- Tejas Shah:** That is all from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.
- Shirish Pardeshi:** Congratulations for good recovery. Though the result says that two year CAGR we have done a little lower than expectation, but assume that rural is impacted much more, but given the scenario I think rural will come back for our products what I can also see that UP, Bihar this market has a higher saliency coming from Navaratna has also seen the lockdowns, are you at present saying that this rural has a fundamental structural issue and that is why you are worried about rural growth or this is purely because of the lockdown and delayed purchase?
- Mohan Goenka:** No Shirish we are more than bullish as far as rural markets are concerned and as far as our portfolios are concerned so we are even more bullish so there is no reason why I would ever say that structurally there are an issue in the rural markets. We have not done well only because of the summer portfolio that is why we have seen a slight decline in the rural areas, but the month of July has bounced back as far as the rural markets are concerned we are seeing almost every market now functioning, people are visiting those areas and we are seeing demand coming back, monsoon has been excellent across India, so if there is no third wave then I do not see any structural difference or change. We are going ruthlessly as far as project Khoj is concerned because even before the third wave hits if it ever hit we want to establish the maximum rural areas.
- Shirish Pardeshi:** My second question pertains to the healthcare range I think we have seen a significant improvement when we look at two year or even YoY tell me structurally what are the things, we know that there is a change in senior management you have brought in experienced people to drive the business but what we can expect say next two to four quarters you said Zanducare website is also on there is a traffic which is happening but I think what I am trying to understand what the healthcare business will double in FY2022 or it will take time because we are still not fully grown.
- Mohan Goenka:** We are aggressive as far as this business is concerned. Now things have come in the base because last year the base was extremely high because of the immunity products, Chyawanprash grew by almost 18, 20 times last year so now that effect has come in but if you exclude the Chyawanprash and the other brands are doing exceedingly well as far as the Healthcare range is concerned. So as I said we have hired a lot of mid level people young talent has joined in, in the last two, three months to look after the healthcare portfolio and particularly for the Zandu portal so I do not know if it would

double or what numbers I cannot say but definitely we are going aggressive as far as Zandu is concerned.

Shirish Pardeshi: I have two more questions. The question which I was more interested on the margin front have we taken any aggressive price increases in the month of July I understand we have taken about 3.5% price increase in Q1.

Mohan Goenka: No, after that we have not taken any price increase.

Shirish Pardeshi: So what is the weighted inflation which we are facing at this point of time for the company?

Mohan Goenka: Weighted inflation?

Shirish Pardeshi: Yes and then for the overall company what is the inflation which we are facing at this point of time and if we have to need that how much more price increases we will have to take?

Mohan Goenka: No, for the year Shirish I do not think we would go beyond 3.5% and now the prices for raw materials are also favorable. I would say they are not increasing the way it was increasing in the month of March or April so there is no further room of price increases.

Shirish Pardeshi: In the international part I think the growth momentum is picking up but yet we have seen a little lower growth so would you be able to tell me what is the expectation which we can see in maybe Q2, Q3 onwards we did some product improvement and we have added Crème 21 soap also so what one can expect in the international business once things stabilize?

Mohan Goenka: Shirish, good you asked this question. Unfortunately the international business over the last two months has been a little stressful because a lot of our key markets have gone under lockdown particularly the Middle East so that is a slight cause of worry same trend we have seen in the month of July also so let us see when it recovers. So yes, international is not growing unfortunately for last two months. Our domestic business has shown a good recovery.

Shirish Pardeshi: Thank you MohanJi.

Moderator: Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: Two questions from my side. Pain Management continues its momentum despite having a good base of last year so is it just Maharashtra which is our key market where

we are seeing traction or these are some newer markets or the higher version and the premium version is doing well if you could comment on pain management?

Mohan Goenka: Yes, PrakashJi this time in the second wave we completely developed new markets particularly the Northern India where we saw a huge amount of growth almost sales increased by three, four times, so in the last I think three months as far as pain balm is concerned we have recruited almost 35 to 37 lakh new customers whoever tried pain balms. So this is a very, very healthy trend and we would have to see how much of them continue but I am happy that we could recruit so many consumers.

Prakash Kapadia: Because north was a very low market share for us was that the reason because south and west we have been fairly strong?

Mohan Goenka: Yes, so we entered a lot of new households in the north that is what I said, it is still a very small market compared to west and south but we almost grew by four times in the north and very recently we have signed Sonu Sood for pain balms so I think in the rural areas that should also help the brand to grow.

Prakash Kapadia: Right the connect?

Mohan Goenka: Yes, he has a huge connect in the northern India and the rural markets.

Prakash Kapadia: In rural markets there seems to be room available for growth in terms of lower SKUs and the smaller packs is what we will focus on?

Mohan Goenka: But interestingly the balms this time the bigger packs have shown more growth than the smaller packs even the 50 ml pack there was always a short supply so which is very, very healthy sign I would say.

Prakash Kapadia: One question for Rajesh on the amortization as I see the notes to accounts we have reduced the life from 10 years to seven years for the brand and trademarks as well as moulds so that is what leading to 35, 36 Crores additional impact this quarter in the previous year and how do we look at it for the year as a whole and going forward?

Rajesh Sharma: So we did this accelerated amortization since last year. So earlier the Kesh King brand was getting amortized over a period of 10 years; now we have reduced the life to seven years so this will continue up to June 2022 so another four quarters and roughly 60 odd Crores would be amortized for every quarter till then.

Prakash Kapadia: Then the run rate should drop to around 90 to 100 Crores on an annual basis?

Rajesh Sharma: Around 15 Crores.

- Prakash Kapadia:** Understood. I will join back the queue if I have more questions. Thank you.
- Moderator:** Thank you very much. The next question is from the line of Amit Sachdeva from HSBC. Please go ahead.
- Amit Sachdeva:** Congratulations for good set of results. My question is broadly on digital and e-commerce MohanJi. It appears to me that digital, e-commerce and the new channels have proved to be quite a blessing in disguise for you and obviously you had built great brand equity across brand by years of investments but distribution perhaps seems like a bottleneck with wholesale dependence in some brands so it seems to me that this whole new cycle has worked extremely well and you clearly have done well across the brand, so my question is that if you could tell us how various brand portfolio are exploiting digital I would assume that the varying degree this would be sort of working so can you tell us a little bit more brand wise thought process on how e-commerce and digital is actually taking that brand to the next level like for example you said pain balm was it e-commerce led or Navaratna or Kesh King or Zandu Healthcare range can you give us some more color beyond that 5% how e-commerce is influencing the trajectory of each of these brands please?
- Mohan Goenka:** Yes, surely. Amit you are right and we have been very, very aggressive as far as e-com is concerned about a year back, our contribution from e-commerce was just 1% which has now reached to 5% so you can understand that there has been an all round effort by the brand team and also with the e-com team to get it to 5% and I am very, very hopeful that we are not stopping at 5% very soon the contribution should reach to about 7%, 7.5% in the next one year that is our target, first target. Now as far as brands are concerned we have identified few brands which have contributed to this 5% and to start with all the large packs at least the large SKUs of Kesh King, Zandu Balm, Navaratna Oil, Fair and Handsome, so all the brands we launched some special SKUs only for the e-commerce where we give substantial good schemes say Navaratna 500 ml which is only on e-com or Kesh King 300 ml so something like those the Zandu 50 ml which does not sell so much in the traditional trade so where we give a lot of branded packs, offers, discounts to those consumers which helps us to get new consumers and in every category whether it is Kesh King, Onion Oil or Zandu new products that we have launched for Zanducare, so there has been an all-round effort in every brand, each brand honestly has a target to achieve only for digital.
- Amit Sachdeva:** That is really great to hear MohanJi and it seems to me that some of the distribution gaps of the past are more than adequately being bridged in this and it is perhaps giving a more momentum and new users are being added therefore traditionally not possible to reach possibly it seems so I am just putting two together?

Mohan Goenka: No absolutely and I have no hesitation to say we chased our e-com head also because we wanted to get very, very aggressive and the new guy has really delivered numbers and he had set a excellent team under him we have recruited at least four, five people only for e-com and young guys who can take it to the next level.

Amit Sachdeva: Second very quick question is that on the shaping of the portfolio like for example now male grooming obviously has limited the range with HE and Fair and Handsome but then they also sit within the broader category of beauty and personal care. Now this category is are also expanding as a result of digital and new channels and all those things. So whole of new thought processes also coming into the categories and new consumer brands are coming seeing the gaps which main FMCGs are keeping or leaving so in that sense this whole category is probably up for grab probably again like one of your competitors have acquired a small D2C brand as well, so is there a thought process on broader entry into beauty and personal care or you would just see that as core or are you seeing more portfolio shifts coming your way as well in a larger play or how do we think about this?

Mohan Goenka: Amit you also forgot that we also increased our stake in the man company in the last quarter so it answers the question that we are moving in that direction and we also want to acquire some digital first brands in the male grooming, we have always been bullish on male grooming unfortunately last one-and-a-half two years male grooming has not done so well we have at least 10 products ready under Fair and Handsome and HE to be launched for digital. Let the market revive we would very soon come out with a big range under both Fair and Handsome and HE only for digital.

Amit Sachdeva: But you would stick to just male grooming part of it no sort of larger play that we think as personal care and all those things and you will limit largely to this?

Mohan Goenka: No, Fair and Handsome is personal care I do not know what do you mean by male grooming.

Amit Sachdeva: Fair and Handsome is still a male dependence in some sense largely?

Mohan Goenka: Yes, male, we will stick to male yes that is true.

Amit Sachdeva: That is exactly what I was asking that your play would be largely.

Mohan Goenka: No, definitely I think there is a lot of room for male grooming products in India.

Amit Sachdeva: That is very helpful MohanJi. Thank you so much and all the best.

Moderator: Thank you very much. The next question is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

Prasad Deshmukh: Couple of questions, one what is your current direct reach and at what stage are you in terms of increasing this reach in rural, I remember you had discussed sometime back about 13 states that you have identified that are critical for rural sales I just wanted to get a further update on this?

Mohan Goenka: Yes, Prasad as you know that the project Khoj and SAMT are two big distribution drive we are doing now and as far as these 13 states are concerned which contributes to almost 88%, 89% of our rural business to start with we have rolled out the project Khoj in four states and in the last one month I think we have already covered about or maybe 45 days we have opened about 1300 sub stockists, in the next one year we have a target of reaching to about 8000 villages and in three years 32000 villages. If we are able to progress the way it is we will definitely try to finish it in two years time.

Prasad Deshmukh: The second question is in terms of advertising could you spell out percentage share of print, TV and digital in first quarter 2022 versus that in FY2020 and where do you see your digital spends going even when COVID normalizes?

Mohan Goenka: Definitely digital spends have gone up significantly in every brand. However, it is difficult to share specific details.

Prasad Deshmukh: Last question in terms of new launches and the Boroplus range you had launched multiple products like I think soap also was there aloe vera gel was there how are these products performing and in the quarter what was the contribution from overall new products?

Mohan Goenka: So overall new products contributed to 3% in this quarter and in Boroplus out of all as I said sanitizer we have knocked off because the sales is zero, but as far as the soap and aloe vera gel is concerned these two products are doing much better compared to some of the other offerings.

Prasad Deshmukh: Thanks a lot MohanJi and congrats on great one first quarter.

Moderator: Thank you very much. The next question is from the line of Jigar Shah from Maybank. Please go ahead.

Jigar Shah: Congratulations for good results. Actually most of my questions have been answered so I will pass it. Thank you.

Moderator: Thank you very much. The next question is from the line of Harit from Investec. Please go ahead.

Harit Kapoor: Just two questions firstly on the balance part of year if you look at the base now you have a very high health care growth but on the same time you are seeing initiatives on

distribution and new products as well as the fact that your discretionary portfolio which is summer and winter will probably do better than given the fact that the COVID second wave is kind of come up so I just wanted to know do you expect some acceleration from this 5% kind of year-over-year growth from a two year perspective going forward is that what we should build in at a higher expectation of growth from here and are you kind of seeing first signs of that already in July?

Mohan Goenka: So Harit I really cannot predict but the momentum as I said continues as far as domestic is concerned over the two year period yes definitely the growth momentum continues the only thing that you have to keep in this thing is the international business which his pulling our numbers down unfortunately so in the last two months so I really do not know when the international would bounce back but domestic business is on a good growth momentum even though on a higher base we have done a good set of numbers in the month of July.

Harit Kapoor: The second was on the margin side you are looking at a 3.5% price increase the largest commodity Menthol is not really significantly inflationary to you is largely the oil related cost I just wanted to get a sense also on the margin side you are probably one of the few companies that on a year-over-year basis is seeing flattish to improving margins is that the way you looked at the balance part of the year as well that you should be in the similar ballpark which we did last year in spite of last year being a high base by a lot of your cost initiatives kind of work?

Mohan Goenka: So Harit yes I think with the trends that we are seeing now I think we would be able to maintain our gross margins number what it looks like but a lot would depend on the advertising if we spend a little more there could be slight dip in the EBITDA margins but there is not much pressure on the margins overall because all the key products which contribute to high margins they are showing good momentum as balms or Kesh King so Boroplus of course we would have to wait and see but margin products are growing better than the other products.

Harit Kapoor: Those are my two questions Mohit. Wish you all the best. Thanks.

Moderator: Thank you. The next question is from the line of Sonaal Kohli from Bowhead. Please go ahead.

Sonaal Kohli: Congratulations on great results. I have broadly three queries. Firstly if I go by historical trends of Q1 versus the full year it makes me conclude that this year will be very strong for you so what 32%, 33% EBITDA margin be a possibility for you, secondly if you could update us on the progress for deduction of pledged shares and when do you expect key events to materialize over six months being a fair assessment

to complete this, thirdly considering on a relative basis we are still undervalued would you consider a buyback this year?

Mohan Goenka: So Sonal I am not too sure whether 32% or 33% EBITDA margins is feasible as I said it would depend on our advertising what we do in the third or the fourth quarter but you would not see a much dip in the margins because the gross margins is favorable and as far as pledge is concerned we are at 30% every time I have maintained we are committed that we would bring it down gradually and one very positive development in the last one month has happened that we got the order from the Jodhpur High Court so very soon I think the 5% pledge which was with Nuvoco should be released but even despite of that we are committed to bring it down to zero. There is no timeline but it would surely happen and no we have not decided anything on the buyback.

Sonaal Kohli: From a two years perspective what do you think is the probability or a possibility of a professional CEO at Emami or do you consider it to be a zero possibility or you consider it to be some possibility?

Mohan Goenka: I would never say that the probability is zero there is very high probability that there would be a professional CEO, however, I cannot give the timeline.

Sonaal Kohli: Thanks Mohan.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: My questions have been answered. Thank you.

Moderator: Thank you. The next question is from the line of Vishal Gupta from Phillip Capital. Please go ahead.

Vishal Gupta: Sir I wanted to know within the healthcare business apart from Chyawanprash which all brands have done well because exceptional growth has been reported in the healthcare product front and second question on ad spend front historically we have been spending around 17% to 18% as a percentage of sales so what is your likely guidance for next two three years ad spend as a percentage of sales?

Mohan Goenka: So Vishal as far as ad is concerned we would keep the range is same about 17% to 18% I expect because we are launching a lot of new products and we are getting aggressive to built our brands, so as far as healthcare brands are concerned it has been led by every brand other than the immunity so Pancharishta grew by almost 47% so all the brands have done well actually Pancharishta, Nityam, every brand has done well.

- Vishal Gupta:** Sir is it because of the appointment of the new CEO coming and plus initiatives you have taken on distribution front that has helped that growth or what is driving growth apart from immunity boosting range because immunity boosting range is understandable but apart from that what is driving growth in other categories?
- Mohan Goenka:** Overall I think definitely I would contribute lot of growth to the new team who has joined they have really shown phenomenal numbers and also pandemic helped quite a bit I would say in achieving these numbers.
- Vishal Gupta:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Nikhil from SIMPL. Please go ahead.
- Nikhil Upadhyay:** Congratulations on good set of numbers. I have just two questions one is during the call you have mentioned that in the pain segment we were able to add a lot of new customers but that would also be because of the COVID wave but post that in June, July have you seen a sales follow through or are you seeing that it was a more of a onetime event driven demand which is now depleting as the COVID cases are reducing?
- Mohan Goenka:** So Nikhil yes you are very right as lot of new consumers came because of the pandemic it is a huge challenge for us to retain all these consumers which is very, very unlikely, we are seeing some demand coming off in the last one month and we have a very, very high base of pain now from the month of July onwards. But as I said, we as marketers, we signed Sonu Sood to get into the rural areas of north so let us try and see how many of them we can retain but it is not possible to retain all of them.
- Nikhil Upadhyay:** Secondly my question was on the digital first I think we had a good discussion already but what I could sense is that as of now our digital first approach is more on SKU base continuing with the same brand but what we are seeing is the proliferation of many new brands as well as even listed companies are opting for a completely new brand so just want to understand why are we thinking of continuing with the same brands rather than launching a new brand how you are thinking about it?
- Mohan Goenka:** I think it is very clear that we see opportunities in our existing products first we have to leverage our existing products right then we can always look at new opportunities and as I said we have increased our stake in the man company we are constantly looking for opportunities for digital first brands but internally when every brand feels that there is scope in Kesh King, Navaratna, Fair and Handsome or Zandu portfolio why should we leverage these brands first we have reached from 1% to 5% in last six quarters and still there is a room of at least 2%, 3% in the existing portfolio.

- Nikhil Upadhyay:** But then it would be more of a distribution gain which we are trying to improve the distribution of existing brand and not a digital first kind of a brand?
- Mohan Goenka:** Again I said like whether it is Kesh King, Onion Oil or Navaratna Therapy Oil or Navaratna Gold or Fair and Handsome there is a new complete range which would be launched only for new set of consumers digital first brands which would not be launching in the trade so there are lot of opportunities in our existing portfolio.
- Nikhil Upadhyay:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal. Please go ahead.
- Krishnan S:** Congrats on a good set of numbers. Couple of questions from my side. The healthcare segment prospects beyond the near-term what sort of growth are you looking at particularly taking it into account in e-commerce sales as well what sort of targets are there over the next two or three years?
- Mohan Goenka:** Let us wait and see because everyone you are aware that it is a high base particularly which is come because of the immunity and have constantly been saying second wave we have not seen the same momentum in the immunity products so how do we offset that with some of our new offerings is going to be a little challenging but of course there is commitment that with new products we should see a double digit growth for sure as far as healthcare is concerned.
- Krishnan S:** The other question is regarding the pledge which we indicated at about 5% is likely to reduce soon because of the approval from the Jodhpur High Court but beyond that intension, timeline, to bring it down to zero?
- Mohan Goenka:** As I said unfortunately I cannot give you timelines but commitment is 100% there.
- Krishnan S:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.
- Kunal Vora:** I have a question on male grooming we are still down to almost 27% compared to two years back to put in the effort we hired a consultant also do you think it is only pandemic or is there more work needed on this and when do you expect to get back to pre-COVID levels in case of male grooming?
- Mohan Goenka:** So Kunal there was of course more than to just do with pandemic we were not doing so well as far as Fair and Handsome is concerned but since we signed Salman as our

brand ambassador almost two, three quarters back the brand started growing phenomenally and again the second wave came and we got stuck but you would be happy to see our numbers I think in the second quarter.

Kunal Vora: We look forward to and secondly also wanted to understand that 35 lakh customer addition for balms so are these customers they did not use pain management products earlier and just temporarily started using these products because of pandemic and like which you can share more insight on how you targeted these customers what kind of products is offered like what you did to really recruit the retail customers?

Mohan Goenka: No, product is the same the Zandu Balm the normal Zandu Balm they because of the stress levels going up significantly higher so they tried out Zandu Balm, we did a campaign specific to pandemic for the second wave when there was a campaign with Zandu Balm which really worked fantastically well in the north India and I have been continuously saying we signed Sonu Sood who has a very high connect with the rural markets particularly in the north India and also in South so the campaign will break soon let us see how it works how many of the new consumers we can retain where we will have to see.

Kunal Vora: Sure that is it from my side. Thank you Sir.

Moderator: Thank you. The next question is from the line of Ekta Sanghvi from Vallum Capital. Please go ahead.

Ekta Sanghvi: Sir I just had an overall question about Kesh King what is your outlook for the next two, three years for the brand and can you give me the number of the e-commerce contribution to the overall Kesh King revenue currently and what do you see this number becoming in the next two, three years?

Mohan Goenka: Kesh King as you know is doing phenomenally well, we only suffered because of the pandemic in the first quarter but the month of July has seen a good bounce back we are very happy that we have been able to take share from Indulekha and also from Patanjali as far as Kesh King is concerned it shows a lot of confidence in the brand. We have signed Shilpa for Kesh King replacing Juhi but let us see how aggressive we can be with our new campaign but Kesh King is a very, very important brand so we would try to grow Kesh King on double digit for the next few years. There were a lot of offering from Kesh King digital first brands Kesh King onion oil shampoo these products were launched

Ekta Sanghvi: Thank you so much.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: I have two questions could you talk something about on the raw material inflation (audio cut) 54:57?

Mohan Goenka: Shirish your voice is breaking but what I understand is you are asking about the raw material inflation in the month of July?

Shirish Pardeshi: Yes.

Mohan Goenka: So we have not seen much inflation Shirish in the month of July as I said the trend is favorable and it is only on the downwards trend honestly. We were worried in the month of March, April but now there is no such pressure.

Shirish Pardeshi: My second question on the Navaratna Therapy product which has just gone into the market would you be able to size up saying that who do you compete with this any color on which channels you are planning to get in and if this has gone into the modern trade also?

Mohan Goenka: We have only launched in e-commerce very soon of course you take it to the modern trade also it is quite an expensive product compared to the Navaratna oil because there are lot of people massage with Navaratna oil so it is a massage oil so only for e-com and modern trade.

Shirish Pardeshi: When you say it is substantially premium will it be above for Indulekha?

Mohan Goenka: Not above Indulekha so 200 ml is Rs.500 after discount actual MRP is 650.

Shirish Pardeshi: It did not go in the month of July you are saying?

Mohan Goenka: Yes, it is just we have just launched it.

Shirish Pardeshi: Thank you.

Moderator: Thank you. We will take our last question that is from the line of Vishal Gupta from Phillip Capital. Please go ahead.

Vishal Gupta: Sir are you looking towards the M&A now given now even debt free and promoter pledge being brought down to significant level anything looking interesting on M&A front?

Mohan Goenka: We do not discuss M&A in concall Vishal.

Vishal Gupta: Yes, but at least in domestic or international what are we looking any specific target we are looking at anything that you can comment upon.

Mohan Goenka: No comments at all.

Vishal Gupta: Okay thank you.

Moderator: Thank you very much. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Mohan Goenka: We thank all the participants for joining us today for our quarterly call. Thank you Percy, thank you IIFL for arranging this for us. Thank you.

Moderator: Thank you very much. On behalf of IIFL Capital Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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