



emami* limited

18th May, 2022

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
Scrip Code: EMAMILTD

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

Dear Sirs,

Sub: Transcription of Earnings conference call held on 13th May, 2022

With reference to our letter dated 29th April, 2022 regarding Earnings Conference Call, post declaration of Audited Financial Results of the Company for the Fourth Quarter and Year ended 31st March, 2022 at the Board Meeting held on 13th May, 2022, 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,

Ashok Purohit

Company Secretary & VP-Legal

Encl.: As above



“Emami Limited Q4 FY2022 Conference Call”

May 13, 2022



ANALYST: MR. PERCY PANTHAKI – IIFL SECURITIES LIMITED

**MANAGEMENT: MR. MOHAN GOENKA – VICE CHAIRMAN & WHOLE
TIME DIRECTOR – EMAMI LIMITED
MR. VIVEK DHIR – CHIEF EXECUTIVE OFFICER,
INTERNATIONAL BUSINESS – EMAMI LIMITED
MR. VINOD RAO – PRESIDENT SALES – EMAMI LIMITED
MR. GULRAJ BHATIA – PRESIDENT HEALTHCARE–
EMAMI LIMITED
MR. RAJESH SHARMA – PRESIDENT FINANCE &
INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to the Emami Limited Q4 FY2022 Conference Call 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Percy Panthaki from IIFL Securities. Thank you and over to you Sir!

Percy Panthaki: Good evening, everyone and welcome to the Emami's Q4 conference call. I have with us from the management, Mr. Mohan Goenka – Vice Chairman and Whole Time Director; Mr. Rajesh Sharma – President Finance and IR; Mr. Vivek Dhir – CEO, International Business; Mr. Vinod Rao – President, Sales and Mr. Gulraj Bhatia, President, Healthcare. Without further ado, I would like to handover to Mr. Goenka for his initial remarks. Over to you Sir!

Mohan Goenka: Thank you Percy and a very good evening, friends. I welcome you all to this conference call on Emami results for Q4 and year ended March 31, 2022.

During the quarter, consumption, term remains subdued amid weak sentiment and steep inflation. The geopolitical conflicts aggravated the raw material inflation scenario as crude oil prices spiked up and persistent inflation continue to hurt consumer wallets across rural and urban markets leading to a slowdown in sales.

Despite the challenging macro environment, we have been able to post a resilient performance during the quarter with consolidated revenues at 770 Crores growing by 5% in Q4 which translates into a two year CAGR of 20%. Our India business grew by 4% over previous year that is a two-year CAGR of 22% with flat volume growth over previous year.

Our major brands like pain management grew by 9%, healthcare range grew by 4%, male grooming range grew by 4% and 7 oils in one grew by 8% during the quarter. While Navaratna posted flat growth during the quarter, it grew by 13% on a two-year and by 4% on three year CAGR basis. Kesh King however, declined by 7% over previous year but grew by 16% on a two-year CAGR basis and Boroplus declined by 18% during the quarter. In this quarter, Modern trade grew by 9%; E-com continued its robust run growth by 90% over previous year.

In Q4 2022, the salience of e-com channel has increased to 7.1% of domestic revenues and modern trade contributed to 8.4% of the domestic revenues increasing its salience by 60 basis points as well. CSD revenues grew by 32% during the quarter. Our distribution

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initiatives continued to progress with additional 8,000 rural towns being added in this quarter for project Khoj taking the total tally to 40,000 rural towns.

Revenues and presence in standalone modern trade outlets increased with coverage expanding to 40 cities and more than 3300 outlets. The company also activated around 32,000 additional outlets for its healthcare products by focusing on Ayurvedic Bhandar and Chemist outlets taking the total tally to 1.1 lakh outlets.

Coming to our international business, our sales have grown by 8% during the quarter on a high base of 28%. However, if we exclude the sales from CIS region which were impacted due to the geopolitical issues, our international business grew strongly by 17%, key geographies like Bangladesh and UAE performed well during the quarter.

If I look at profitability number this quarter, I believe we have posted decent set of numbers despite strong inflationary pressure and a high base of previous year.

Gross margins at 62.4% contracted by just 30 basis points on account of judicious price hikes and strategic procurement. EBITDA at 164 Crores grew by 1% and profit before tax at 104 Crores declined by 15% on account of one off Forex loss of 5.1 Crores and lower other income. However, PAT at 356 Crores grew by 4.1 times over previous year on account of recognition of MAT credit entitlement amounting to Rs. 288 Crores in this quarter.

In FY2022, consolidated revenues at 3192 Crores grew by 11%, EBITDA at 952 Crores grew by 8%, Profit before tax at 703 Crores grew by 23% and PAT at 839 Crores grew by 85%. I am happy to share that we have posted a three year profit before tax CAGR of 20% in FY2022 which is one of the highest in the industry since the COVID period despite the ongoing challenges.

In the full year, our major brands like Pain Management range grew by 18%, Kesh King grew by 11%, Health Care range grew by 9%, Male Grooming range grew by 16%, Boroplus and Navaratna grew by 5% each and 7 Oils in One grew by 29%. I am happy to share that we have not only managed to increase or maintain our market leadership positions but also increased our household penetration in most of the category.

As we are all aware that the business environment since early 2020 has been facing many, many challenges which affected consumer behavior while the industry has had an a full task of mitigating these challenges by smart adoption of new ways of doing business including digitization, it keeps facing new challenges in the form of geopolitical issues and steep inflation in global commodities which leading to price hikes by companies to tied over the

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cost push. This we believe has led to plummeting consumer sentiments across rural and urban affecting the industry. However, we believe that there is sunshine behind every dark cloud and this year optimistic of witnessing and upward in the consumer sentiments in the near future. We have always believed in growing both organically and inorganically and keep investing in businesses and brands where we see synergies with our current businesses and scope of growth. In March we acquired the reputed Dermicool brand of Prickly Heat Powder and also invested in two native F&B a new age company, marketing nutrition products. We do believe both of these brands will pay rich dividends in times to come, at the same time we will continue to invest in our existing power brands as we do believe there is much headroom for growth.

With this brief, I now open the floor for Q&A. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Avinsh Roy from Edelweiss. Please go ahead.

Avinsh Roy: Thanks for the opportunity. My first question is on the gross margin pressure in Q1, do you see significant pressure in Q1 given we have seen wide spread inflation, in Q3 call, you had said in Q4 you do not expect significant pressure which you have delivered only 30 bips gross margins compression which is quite decent performance but in Q1 how do you see because always lag is there in terms of impact?

Mohan Goenka: Right, so Avinsh, you are right, so now that the material we had most of it is consumed in Q4, so we have to buy it at new prices what is prevalent in the markets now, what looks like as of now that there should be pressure of about 200 basis points in Q1.

Avinsh Roy: And that is without you taking price hike or that post your price hike if any you have already done?

Mohan Goenka: No, price hikes have all been factored in post the price hikes that would be the current of contraction.

Avinsh Roy: Sure and second question is on the rural demand, when do you see recovery because we are seeing NREGS job demand going down which is a good trend that is a lead indicator plus good monsoon, high crop prices, what are you picking up from on ground, is it a H2 recovery or you think in Q2 some recovery can start?

Mohan Goenka: So as of now Avinsh, markets are still subdued as far as rural demand is concerned, we are seeing some pressure but at the same time what numbers we are seeing today that there is good traction as far as our summer portfolio is concerned, where we are seeing some

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concern is on the very high base of our Pain portfolio, so it would be a good play as far as our portfolio is concerned but overall the demand sentiments till is low, we are very optimist that Q2 there should be some bounce back for sure.

Avinsh Roy: Sir, the last quick question, your volumes are flat and you did say currently demand situation is challenging for the entire FMCG sector, in light of that 10% higher advertising spend is something which is not very common most FMCG companies have cut down ad volume, ad spends sharpening, so why you want to spend so much higher when volume growth is flattish?

Mohan Goenka See it is very difficult Avinsh that to cut expenditure just like that because there were some new launches that we had done, on account of that we had to spend some amount of money also some amount of money goes into our Zandu Care so that is an ongoing cost which we have to entail anyways. So, looking at overall scenario, I think the cost have gone up but if you see on a yearly basis, we have maintained our numbers, we have not increased our advertising significantly.

Avinsh Roy: Okay Mohan Ji, that is all from my side. Thanks a lot.

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

Shirish Pardeshi: Thanks for the opportunity. Sir, I have got three questions, when I looked at your presentation, Kesh King a range declined 7% and on two-year CAGR has grown 16%, what has exactly happened in this product because last time when we had a call you said that Kesh King is now running good momentum, so maybe you can give some quality to comments?

Mohan Goenka: Kesh King, Shirish you are right, so we are very bullish on the Kesh King range and I think we have delivered good set of numbers, if you see on two-year CAGR, we have grown at 16% and this for the whole year, we have grown at 11%, so we were sitting on a very high base on Q4 I think our growth was almost 40% or something, so on that we have declined but I do not see any challenges as far as Kesh King range is concerned.

Shirish Pardeshi: So, it is not a product issue or off take issue, it is more to do with the high base?

Mohan Goenka: Yes, the base was very high last year in this quarter.

Shirish Pardeshi: Okay. Similar question on Navratna, despite the strong summer, we have managed to get a flat growth, so what is exactly happening in the Navratna product?

- Mohan Goenka:** Navratna has bounced back last two years you know in the peak season we had COVID so of course that is the effect but we have seen good set of numbers coming in April month, so I think Navratna would deliver quite significantly well, I am not worried about Navratna, the summer season is also good this time, so we should get good set of numbers.
- Shirish Pardeshi:** Okay and my question on international, despite these all challenges the growth is okay but if you have to factored in last two years to three years, we are trying to do lot of changes barring about CIS country, you think we can manage a double digit growth?
- Mohan Goenka:** Very much, so Vivek is here on the call. Vivek would be able to answer your question.
- Vivek Dhir:** I think we are seeing a good growth momentum from August onwards, so Russia-Ukraine situation was unexpected which led to a lower number despite that we could grow by 8% and next quarter onwards we should have double digit growth despite this situation which we are facing.
- Shirish Pardeshi:** Okay, Mohan Ji just one last question, you said that 200 basis points margin decline after considering price increases, correct?
- Mohan Goenka:** Right, absolutely.
- Shirish Pardeshi:** And how much price increases we have taken so far because last time last quarter we have seen nearly half a percent we have taken, is any new price increase which have gone?
- Mohan Goenka:** We have taken almost 4.5% price increases.
- Shirish Pardeshi:** Okay Sir. Thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Companies have been witnessing market share gains in most of the product portfolios now given our power brand portfolio, we are slightly niche and slightly high market shares, so how is our market share trajectory happening because smaller companies face challenges in inflationary times or we are high in market share, so the difference is not too large in this kind of an environment for us, if you could give some light on that and you also mentioned about down pitting in rural market, so what could be the LUP contribution, has that seen a major change and also if you could comment on urban kind of markets, what are we seeing, are we seeing lower LUPs in urban markets also, what are we trying to do to bridge the gap

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in these inflationary times, are we planning some bridge midlevel SKU products, what is happening on the urban side if you could give some color that will be helpful?

Mohan Goenka: Prakash Ji, as far as market shares are concerned, you are right, we have increased our market share in almost all the portfolios in all the categories that we operate in, of course last two years were very, very challenging despite of that we have gained market share but now we would have to see how we can grow these markets and we have taken an aggressive stance because the markets are now in the sense opened though there is inflation, all of us know the story but still we are going aggressive as far as our advertising is concerned because after two years of null markets, we need to invest aggressively on our portfolio which is very key for our growth, so we are confident that in some of our portfolios we should be able to grow the market as a whole, other than this the Pain portfolio which was driven due to COVID, so that would definitely see a decline, other than that all the other categories whether it is Kesh King, Navratna oil, Fair & Handsome or 7 Oils in One or the other categories would see a growth, so that is one.

Prakash Kapadia: Mohan Ji, essentially is you because market share is decent and high for us so unless and until we as leaders do not try and expand the market growth could become difficult that is why the aggression obviously given what we have seen last two summers because of COVID, is that a fair?

Mohan Goenka: Yes absolutely, so we would be quite aggressive in our summer portfolio as far as advertising and our promotions are concerned and that way the market should grow and we have seen good numbers coming in month of April because it was extreme summer this time and secondly, yes there is downtrading happening across the market whether it is urban, rural luckily Emami has small LUPs which contributes to almost 23%-24% of our total business, so there we do not have gaps as far as LUP is concerned. I have not seen a significant growth in LUPs due to this inflation but yes because we have the LUPs we are been able to service all kind of markets urban and rural.

Prakash Kapadia: Okay and on the urban side are we seeing some lower facts starting to move or are we trying to put in some bridge packs to meet demand in displacement of larger bags or something?

Mohan Goenka: We already have Prakash Ji all those bridge packs that you have been hearing in the market, so we have price points from Rs. 1, Rs. 5, and Rs. 10 there is no gap there honestly.

Prakash Kapadia: Okay and we have seen a stake increase last year in Brillare, Helios Lifestyle so what kind of size are these companies as of now, what are we thinking of scale in the next two years to four years, if you could give some direction into some of these companies, how are they \

- Rajesh Sharma:** Well Helios is doing pretty well and the other ones Brillare Science is little smaller compared to Helios but Helios is doing pretty well and in coming couple of years I think that should continue doing well in revenues.
- Prakash Kapadia:** Okay, some aspiration in number, some numbers if you can or direction you can share Rajesh?
- Rajesh Sharma:** Currently, this year I think it is roughly around 80 Crores kind of topline and continue to do well.
- Prakash Kapadia:** And from 1 April Dermicool consolidation happened, right?
- Rajesh Sharma:** Right, so we acquired almost at the end of the March last year, so no revenues came last year, our revenues have started coming in from April.
- Prakash Kapadia:** Fine. Thanks, all the best. I will join back if I have more questions. Thank you.
- Moderator:** Thank you. We have the next question from the line of Manoj Menon from ICICI Securities. Please go ahead.
- Manoj Menon:** I have got a few questions but if it is constraining the folks in the queue please let me know then I will come back. So I will take one at a time Sir, the first Mohan Ji and Rajesh Ji, typically in the past Emami has worked with lot of consultants with the medium, long term top processes, if you could highlight few projects which are working on currently and what is your brief and where we are, so that is question number one?
- Mohan Goenka:** Manoj Ji right now, we do not have consultants working with us, by and large the projects that were there, we are continuing some of them but those projects are already completed, other than the distribution which is Project Khoj which is an ongoing project for the last one year that is continuing but other than that there are no external consultants on board.
- Manoj Menon:** Understood Sir also one observation was when you have a very strong independent director which I have seen in the past actually plus I wanted to repeat my question actually, so it is only Project Khoj and there is nothing which is basically in the pipeline currently right whether it is an external consultant or whether it is something else which you are working on? What I am trying to understand was basically markets may be soft today and may be three months time, six months time, commodities can change and there will be different scenarios, so what I am trying to understand here is the things which you are working on your own leading out the external factors?

Mohan Goenka: Yes, absolutely Manoj Ji, so we have identified some growth areas internally which are those great areas and projects which are already being handed over by the BCG and others those are already they have given their reports and we are implementing those strategies, so we do not need them right now honestly but the implementation would happen now in some of the projects that we completed last year. So, as I said there are growth opportunities in some of our existing brands, very clearly Navratna in fact all the summer portfolio, Fair & Handsome is a complete relaunch, we see a good amount of growth coming in, 7 Oils in One we have a strong strategy for growth, we are investing good amount of money, similarly on the Health Care range Gulraj is here, he can throw some light on the Health Care range, how are we growing there, so we have year marked growth strategies for some of our categories and we would be working on that direction for this year.

Manoj Menon: Sure, understood Sir, secondly, one thing on Kesh King, this is a question like this is there a category relevance aspect there which is constraining the growth here because let me take a step back right, so again I am just repeating this if I need to come back in the queue please let me know, if I think about a brand like Paperboat so there was an expectation that there is a certain market but then what we realized is that market is available at a certain price, so when we look at again the whether it is Indulekha, whether it is Kesh King, whether it is the “problem solution” reasonably higher price product from a consumer point of view , is it a segment issue, industry issue from a sustainable low volatile growth, given the assumption, few years back was that this is a great opportunity, about the quarter, I just wanted to hear about your prognosis and just that KK has been review for a long period of time and you had your learning some exception on this, how do we think about Kesh King opportunity in the medium term, what do you realistically see and what are the actions of this from your side?

Mohan Goenka: Firstly, Manoj I think we still believe that Kesh King is great opportunity, there is no reason why the brand should not grow and as I said that the brand has grown, if you see on a two years CAGR basis, it has grown at 16%, this quarter is declined on a high base of 45% growth, so do not go by this quarter it is declined by 7%. We have taken on the competition very, very strongly whether it is Indulekha or whether it is Kesh Kanti. Of course at this point of time, any costly product is going through a tough time, so it is not just about Kesh King, every product which is a premium price product is not selling so well, so we also have to bear that in mind but as far as hair fall problems are concerned or hair growth is concerned that is very, very relevant and I think Kesh King deliver from that promise, so on a long term risen, it is potential to grow definitely at a double digit growth, I am not at all worried about one or two quarters here and there. One year or two years we have grown at 16% it is not bad number

Manoj Menon: Fair point Sir, got it. Very fair point because honestly my observation as an analyst was let us say for example a lever stopped talking about Indulekha, you are going to take it an offline question rather than all...

Mohan Goenka: It is good, which is fine for us it even gives us more room for growth.

Manoj Menon: No actually it is a fair point because my worry about another question was about the category relevance and you answered that. Thank you. The third thing was about cooling oil, for South as a vector for growth has been there for cooling oil, I know that you have a reasonable presence built in the last decade, but any specific comments here so when I say South for example correct me if I am wrong on basic understanding in my understanding, you have a very good presence in Andhra, you got opportunity to add to what you have done the good work in Tamil Nadu but then there are other parts of Karnataka, Kerala, so South has a vector for growth in the Navratna part of it given that it is also part of the world where probably 10 out of 12 months is summer?

Mohan Goenka: Manoj Ji, you are right, unfortunately South has many other hair oils which sells pretty well, so there is of course a challenge in the South compared to the North or the West market, you are right, we invested huge amount of money in Andhra, Tamil Nadu and Karnataka and that is why we are seeing the numbers coming in from South India but if you ask me I think the potential still lies more in the North and the Western regions than so much in this South regions because to change the habits, it takes time and it is very expensive but despite of that we would keep on investing in Southern markets in all the three markets, not so much in Kerala but Andhra, Telangana and Tamil Nadu and Karnataka.

Manoj Menon: Got it Sir. I will take this offline because I have follow up which actually, lastly, you have done few I would say appreciation investments in start-ups, just trying to understand the relationships with the start-ups, let us say, on how do you work with them, what level of engagement let us say you personally will have with them or the team will have with them etc., etc.,?

Mohan Goenka: Of course, we have monthly meetings with them, they share all their plans which is jointly approved by us, whatever help we need from them or they need from us it is an ongoing process, now whether it is Helios or it is Brillare, Brillare is now part of it is a subsidiary of Emami and Helios also we have got a significant share now, so both these companies we are actively involved, other investments also we have invested keeping long-term in mind because the markets are moving to a new direction which is very difficult for Emami to do that on their own, so there is good amount of learning what we have got from these start-ups and if you would have seen Manoj over the last three years – four years, our presence on

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online which you were all of you were doubting, now it has reached to almost 7.5%, so a modern trade plus E-com is now 15%, on our portfolio I do not think it is a bad number, so there is definite learning from the start-ups and which we implement in our existing portfolios.

Manoj Menon:

Understood Sir. If I may push this a little bit actually whatever you could talk in a public domain, so when you talk about learnings, for example, the modern trade that is an exceptionally good outcome which we have seen actually and that too in times like last couple of years for example when modern trade could have possibly got even disrupted, so on a normalized basis possibly even edging probably double digit saw even more but then the from a learning point of view if you can help us understand at a team level is it on the speed to market or let us say concept to launch or is it to do with let us say about another company told me unlisted personal care company told me recently about let us say something like democratization of marketing inside or is it a R&D aspect there or is it a just simple risk taking aspect, so when it is a learning, for example, functionality wise we could help us understand where Emami is today versus two years back on what you would have actually gained from these investments?

Mohan Goenka:

I would ask Vinod because Vinod heads this division. Vinod, if you can throw some light on the e-com.

Vinod Rao:

I will answer it both for e-com and modern trade and I think the key learnings that we take is like you rightly said that democratization of the investments, first investment was what is the kind of areas we need to invest which deliver results and growth, two is on a pack and format sense, so we were in a portfolio we made lot of choices and we made lot of decisions regarding the large packs, combos these are becoming significant growth drivers for us and they in share terms they have increased dramatically which is helping us driving growth. The other area is the overall in store investment, I think there is lot of learning that we take from these companies is to what is the kind of nature of investments we need to make in modern trade format and these have given phenomenal results for us, 40% off take growths in stores where we have invested in and we are using the plan for a complete ayurveda care and which is helping us to an entire Emami brand block in store which is driven growth for us, so lot of critical investments made with kind of JBP the Joint Business Plan which we do with accounts, we become preferred suppliers in many of the large accounts and we share the table with a lights of Colgate and such company lot of top to top engagements, I think these are all learnings which has helped us drive growth both in e-com and modern trade.

Manoj Menon:

Sure. Thank you so much Mohan Ji, Vinod Ji and Rajesh, thank you I will come back in the queue.

- Moderator:** Thank you. We have the next question is from the line of Kunal Shah from Jefferies. Please go ahead.
- Kunal Shah:** Thank you for the opportunity. I have couple of questions. The first one is on the summer portfolio, so you mentioned April has done well so when you say that do you also include Dermicool and any integration issues or that you have faced in the initial few months given that this April and May are 90% of the portfolio?
- Mohan Goenka:** This excludes Dermicool whatever I am saying is on our existing portfolio and this integration has not happened because it presently they are only selling from their own network. Number should add on our balance sheet but the arrangement is that they will distribute this year; it will come to us from next year.
- Kunal Shah:** Got it but any challenges that you are seeing in this arrangements which impacts revenues for this year or it should not be an issue?
- Mohan Goenka:** No, I do not think there would be an issue if you would have taken it then there would had been much larger issues because it was peak season and those changes would had much larger impact.
- Kunal Shah:** Got it. My question was a clarification, so you said 200 bps impact in Q1, is that gross margins or are those operating margins?
- Mohan Goenka:** Gross margins.
- Kunal Shah:** Got it and finally I have a couple of keeping questions, so what should be the amortization of brands that should happen in the coming FY2023 and there on given we have also acquired Dermicool now?
- Rajesh Sharma:** Roughly, next year the amortization should be anywhere around 120 Crores kind of because in Q1 June, Kesh King would also get amortized and post that only Dermicool and others other brands would be getting amortized.
- Kunal Shah:** Understood and finally what should be the expected tax rate for next year?
- Rajesh Sharma:** We would be paying MAT next year also, so roughly `18% to 19% overall tax rate but then we also have to see now how much MAT Credit would be generated next year because from this quarter onwards we have started recognizing MAT credit, so I think that should bring down some 1% or 2% tax rate lower, we should be able to generate MAT Credit next year as well.

- Kunal Shah:** Understood, that is all from my side. Thank you.
- Moderator:** Thank you. We have the next question from the line of Percy Panthaki. Please go ahead.
- Percy Panthaki:** You mentioned that price increases that you have taken about 4.5%, I just wanted to understand if I look at the listed FMCG players and we are hearing the conference call etc., looking at the numbers, so this is one of the lowest price increases across FMCG player at 4.5%, so do you think there is levy to take more price increases especially in light of the fact that there is a cost push inflation and there is a pressure on your margin and if you do take it, you would not be out of bounce compared to the industry average?
- Mohan Goenka:** Percy, it all depends on the category that you operate in, I think we have been aggressive, you also have to recognize that our 23%-24% portfolio comes from LUPs where we do not take any price increase, so on an overall basis on the packs that we have taken price increase goes in the range of about 7% to 8%, so this is the max honestly, at this point of time we can pass on.
- Percy Panthaki:** Sir, on LUP you do not do a grammage rationalization?
- Mohan Goenka:** We have already done that in the past Percy, there is not much scope honestly on grammage reduction.
- Percy Panthaki:** Okay, so given that input costs are sort of have picked up in the last few months and you are unwilling to take price increases supposing they stabilize at the current level then how do you recover the lost margin?
- Mohan Goenka:** Prices first of all have stabilized now, so they are not going up and in the long-term honestly, this is not the kind of price increase we normally take and once the market stabilizes and we see a down trend you would see again we bounce back to our original 70%-72% gross margin levels, so we have seen that in the past also when prices have maintained really accelerated and we increased our prices, when they came down straight away added to our margins, so I think it is just a matter of about two quarters where we would see this kind of a decline, then we will see a benefit coming in from Q3 and Q4.
- Percy Panthaki:** Understood. Second question is I just wanted your insight on how you are looking at consumer behavior in the hair oil market particularly, what we have seen is hair oils market itself is not growing, I am talking about value added hair oils as a whole everything except pure Coconut oil, so over the last three years if I look at the CAGR for Q4, for Dabur as well as Marico, it is 0% to 1% kind of three year CAGR, so obviously this is a category which the consumer right now is sort of deprioritizing given that there is inflation and he

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has to cut somewhere, so he is cutting personal care and hair care is one of the parts of the personal care but my question was how do you see this playing out across the different sub segments of hair oil, so there is a low cost Amla then there is mid cost oil like Almond etc., and then there is the premium oil, so where do you see the consumer really having the biggest pressure in which of these three segments and is there any up trading, down trading etc., which is happening or is it that the premium customer is someone who has a higher income level and therefore is not worried about little bit of food inflation etc., because he has that much of buffer of savings and he has not cutting his expenditure that is what we saw for example, in Hindustan Lever where we are mass market brands did not perform well but we have premium brands have actually performed well, so any thoughts on this?

Mohan Goenka:

Percy, firstly we have three oils; one is Navratna, one is Kesh King and one is 7 Oils in One all three operate differently in different markets, we have different consumers. Firstly, none of these brands have performed badly, if you look at a three year CAGR, , other than Navratna which was one of because of the COVID scenario, I also said that April months has been good when we have seen the extreme summer months, same is continuing in the month of May also for Navratna oil and same is the trend for 7 Oils in One where we are seeing significant growth coming in continuously quarter-on-quarter basis. Only of course, there is some challenge on Kesh King because of the pricing which we are facing recently which is very, very new on a two-year here I have continuously been saying we have grown at 16% CAGR also on Kesh King but yes last two months to three months because of this inflation, there is some pressure on the Kesh King which I am very, very confident, once market normalizes we would also see growth in Kesh King, so there is no structural issue as far as oils are concerned or at least our portfolio of oils are concerned because ultimately numbers will speak.

Percy Panthaki:

Sure, understood.

Moderator:

Thank you. We have the next question from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.

Kaustubh Pawaskar:

Good evening Sir, thanks for giving this opportunity, my question is on new launches FY2022 we have seen that it was familiar expect for some of the launches in the Health Care category on Unit listing product, so FY2021 how do we look up from one of the new launches and which of the categories you would be targeting if there are any launches which you are planning?

Mohan Goenka:

Kaustubh, last year yes there were couple of new launches that we did almost contribution from new launches were in the range of about 3% so which included some of the Health Care portfolios also, Gulraj is also here who looks after our Health Care portfolio, he is the

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CEO of the Health Care Business, so Gulraj if you can throw some light what we are doing on Zandu Care and what growths you see in the mid-term and long-term?

Gulraj: From a Health Care perspective, as you have rightly said there have been few launches which we have done and many of those have done well such as the Health Juice range of Amla, Aloe Vera, Giloy Tulsi, Karela Jamun, so they have ramped up very well, we also had a launch of Ayurvedic costume which has done very well, of course was aided by the Omicron issue which happened last year, even the digital eco system on a D2C platform we have done a number of launches which are the first of its kind in terms of the online space, we are investing behind and we are seeing good green off shoots on those, obviously they will take some time to ramp because we are going on a test and learn basis to see how much we should invest, how will be the return and from an overall perspective very clearly we do see upside happening on some other categories where we have a relatively low market shares such as Chyawanprash, such as the laxative segment even the generics and ethical business we have been growing much better than what our competition is doing, so we are going to be more aggressive in areas where we can grow the market share and on brands like Pancharishta actually where we are the leaders, we will obviously work towards increasing the consumer penetration to grow our topline in these brands.

Kaustubh Pawaskar: Right Sir, in hair oil, are you looking for any loss because we have seen Bajaj Almondz in the last couple of quarters they have done launches and also they have done launches on the digital platform, so since we are also focusing on expanding in portfolio, so any thought process on that whether you want to know any specific product in the hair oil category or where you want to penetrate this on the markets where the penetration?

Mohan Goenka: Kaustubh, on oils as I said we have three categories; cooling oil, 7 oils in one and Kesh King, right now we would focus on these products primarily to see that they grow but apart from this if there would be any launches, it would be mostly on the e-com platform which would be premium offerings.

Kaustubh Pawaskar: Okay, this is accommodation of Dermicool, now how much is this summer portfolio contributing to overall revenues?

Mohan Goenka: How much would be summer portfolio contributing to overall revenues?

Kaustubh Pawaskar: Yes, India business revenues.

Mohan Goenka: Including Dermicool?

Kaustubh Pawaskar: Yes.

- Mohan Goenka:** That we have to calculate Kaustubh, we will come back to you.
- Kaustubh Pawaskar:** Okay, sure. Thank you.
- Moderator:** Thank you. We have the next question from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.
- Shirish Pardeshi:** Rajesh Ji I have a question for you, we have realized this MAT credit of 288 Crores, now this is what we have accumulated over last past five years?
- Rajesh Sharma:** 230 Crores out of 288 Crores is of earlier years almost 55 Crores is for current year.
- Shirish Pardeshi:** And we have to realize complete?
- Rajesh Sharma:** Yes, we have accounted for this MAT credit this year considering that our tax benefits in some of the units is for next four years now and it looks like that we would be able to utilize the MAT Credit going ahead and hence looking at the current situation, we have accounted for that.
- Shirish Pardeshi:** If I understand correctly, the past till date we have recognized and this year we will further accumulate the MAT credit?
- Rajesh Sharma:** Right from FY2023 onwards, right.
- Shirish Pardeshi:** And earlier you did mention about Kesh King amortization will get over by June and only then Dermicool will remain for the next five years?
- Rajesh Sharma:** No, we also have Crème 21 and couple of these startups where in consolidation the value of intangibles brands comes into picture so some small amortization for these brands also would happen.
- Shirish Pardeshi:** No, I was worried because we have a number of 120 Crores, that is what I heard, it does not add up?
- Rajesh Sharma:** For Dermicool from next year onwards almost 60 Crores to 65 Crores amortization would happen and remaining 20 Crores for Crème 21 and other smaller brands.
- Shirish Pardeshi:** Okay, so it roughly about 85 Crores?
- Rajesh Sharma:** 85 Crores annually after Kesh King.

- Shirish Pardeshi:** Sure, my second question is to Mohan Ji, can you throw some light where we stand today on the pledge?
- Mohan Goenka:** Pledge right now Shirish is at 34%.
- Shirish Pardeshi:** Any plans that in medium term we I mean last one year we have been saying that we will cut still remains the same that we will bring it down, it will only happen post our sale of our some assets that we are looking for but I think it is a good time?
- Mohan Goenka:** Overall percentage has gone up because of the price correction.
- Shirish Pardeshi:** Okay and last question on Male Grooming, last one year we have done lot of things and we have in fact relaunched the product last year but the growth rate what we are seeing is that a distribution issue or category issue or the new launches is not done?
- Mohan Goenka:** There is no issue Shirish, please appreciate that all the schools, colleges all the social events where not happening due to COVID the last two years, now that everything is opening up this marriages or school, colleges, so this market will also see an upswing, we have seen good growth in the month of April as far as Fair & Handsome is concerned and same is the trend for May also, so we are again as I said other than the Pain portfolio and some health care challenges which grew due to COVID other than that all the categories are showing good signs of growth.
- Shirish Pardeshi:** Exactly but the point where I was trying to say that over last seven quarters, Pain Management has gone to a different level and since this quarter also it has grown very well, so, what is it that working for Pain Management and not working for Male Grooming but you are saying largely because of the social event and out of home?
- Mohan Goenka:** What has been working because of in Pain Management because of the COVID Omicron last wave I had that is why Pain Management grew because there were no social events, so the Male grooming, it is a discretionary range it de-grew.
- Shirish Pardeshi:** Okay, my last question to Mr. Rao, where we are in terms of Project Khoj because last call we said that from four states, we are going to go to ten states covering 85% of the same, so now is that project is completely expanded and what are the things which we are learning and in terms of quantitative if you can say or suggest or help us to understand what is happening?
- Vinod Rao:** Yes, we are well track on our objectives of Khoj, so we have added last year itself in fact we have gone from our and as we speak we have gone from 6,000 sub stockiest towns to

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10,000, in toto we added last year 8,000 towns which took coverage now from 32,000 to 40,000 and as we speak, it has reached 42,000 in terms of a towns and coverage. We expect to add another 70000-odd stores in the system we have accrued 32,000 stores addition last year itself and by this first half, we will add that tally to 75,000 stores. The business also on KPIs in terms of our business size or repeat purchases of all these new town editions, that is very healthy, it is up of 95% and that is also because we used an approach where we have identified potential towns looked at our gaps and appointed distributors in these towns which has helped us actually get to a 95% accuracy and that is a very large accuracy in terms of repeats when you embark on a town expansion agenda typically you went to hit 60% accuracy that is because you use a potential based approach looking at a potential and the right kind of gap identification, we were able to deliver this kind of accuracies. It is doing very well and we continue to do that and even the next year agenda is similar, we will look at juicing out the towns that we have added in the last nine months of last year and we continue to expand in second half of this year and we will add another 8,000 to 10,000 villages.

Mohan Goenka: Shirish, let me also tell as far as management is concerned, we have been very, very clear that despite of so many challenges this inflation, low sales, rural is not doing well, we have not cut a single budget as far as Project Khoj is concerned or there is a clear mandate to Vinod that whether it is SAMT even expansion in the Chemist outlets or any other opportunities that we have seen over the last one year, we will all implement now for going forward. There is no cut in the budgets.

Vinod Rao: Right and just to add to that in fact we have increased our people on the ground by almost 50% in rural.

Shirish Pardeshi: Right, that is really amazing. So, I hope these all things will add up in FY2023?

Vinod Rao: Yes.

Shirish Pardeshi: Mohan Ji, my last question to you, we have seen a new trend most of the FMCG companies are trying to revive the senior management, we did have, Mr. Gulraj Bhatia and Mr. Rao on the board but I think after Venkat I mean I have not seen a professional CEO in the company, so is there any thought or any comments you can offer because now you have you are sitting in the driver seat?

Mohan Goenka: So I cannot comment on this Shirish, if it happens you will come to know, I think we have an excellent set of professionals working and we are seeing the results of that I think it is a good mix of professional with family, at the top we are going very aggressive, Avinsh also asked about our increase in advertising despite of pressure, so that is that stands we are also

keeping for this year because it is not a short-term strategy that you can always manage our margins if you cut our advertising but that is not the strategy we are taking on, the targets to every CEO whether it is International Healthcare or Vinod is that we need to grow and for that whatever budgets are needed we will earmark those budgets and same is to the brand teams also. So, right now we do not have a definite plan to appoint a CEO, if it happens you will come to know.

- Shirish Pardeshi:** Thank you Mohan Ji, thank you team for my answering all questions.
- Moderator:** Thank you. We have the next question from the line of Vishal Punya from Nirmal Bang Institute Equities. Please go ahead.
- Vishal Punya:** Thank you for the opportunity, just one question on the inventory days, so this year as well we can see that the inventory days have kind of increased and it has been the case for the last four years to five years, so if we can get some comments on the reason for that?
- Rajesh Sharma:** Vishal, it is primarily on account of summer inventory stock and also the inventory for Dermicool which we acquired at the end of March.
- Vishal Punya:** Okay and for the last five years, is there anything specific that we can highlight in terms of the increase in inventory days?
- Rajesh Sharma:** No it has nothing to do with any specific reason otherwise, it is only because of the increasing business of some of these brands and also couple of brands we have acquired like Crème 21 also over the period and some of the new launches have also come into our fold, Healthcare is there, so lot of new launches, the increased inventory is with respect to that only.
- Vishal Punya:** Okay and just lastly what would be the rural-urban mix for us at the end of this fiscal year?
- Rajesh Sharma:** Rural is still higher almost 54%-55% for us.
- Vishal Punya:** Okay, understood. Thank you.
- Moderator:** Thank you. That was the last question. I now hand it over to the management for the closing comments.
- Mohan Goenka:** We thank all the participants for joining us for our earnings call for Q4 and thank you IIFL, thank you Percy for earning call for us. Thank you.

Moderator: Thank you very much. On behalf of IIFL Securities Limited that concludes this conference.
Thank you for joining with us. 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