



emami limited

16th November, 2019

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

The Secretary,
The Bombay Stock Exchange Ltd.
Limited, Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai - 400 001.

The Secretary,
The Calcutta Stock Exchange
7, Lyons Range,
Kolkata-700001

Dear Sir,

Sub: Transcription of Investor's conference call held on 6th November, 2019

With reference to our letter dated 24th October, 2019 regarding Investor's Conference Call, post declaration of Unaudited Financial Results of the Company for the Second Quarter and Half Year ended 30th September, 2019, at the Board Meeting held on 6th November, 2019, we are enclosing a copy of the transcription of Investor's 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 faithfully,
For Emami Limited,


Ashok Purohit
Assistant Company Secretary

Encl.: As above



“Emami Limited Q2 FY ‘20 Earnings Conference Call”

November 6, 2019



**MANAGEMENT: MR. MOHAN GOENKA – DIRECTOR, EMAMI LIMITED
MR. RAJESH SHARMA – SENIOR VICE PRESIDENT-
FINANCE, EMAMI LIMITED**

MODERATOR: MR. PERCY PANTHAKI – IIFL SECURITIES LIMITED

Moderator: Ladies and Gentlemen, Good Day and Welcome to Emami Limited Q2 FY '20 Earnings Conference Call hosted by IIFL Securities. 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 '*' and then '0' on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Percy Panthaki of IIFL Securities. Thank you and over to you, Sir.

Percy Panthaki: Hi, Good Evening everybody and Welcome to this Emami Q2 conference call. To take us through the quarterly performance are Mr. Mohan Goenka, Director, and Mr. Rajesh Sharma, VP- Finance, so without further ado, over to you, Mr. Goenka.

Mohan Goenka: Thank you, Percy, and very Good Evening friends. I Welcome you all to this conference call on Emami result for the second quarter and half year ended September 30, 2019.

We are happy to inform you that despite challenging liquidity and consumption environment especially for discretionary products, the company posted 5% growth in Quarter-2 FY '20 with consolidated revenue of Rs. 660 crores. Our international and CSD business both posted good growth during the quarter leading to an overall 3% volume growth.

During the quarter, domestic business including CSD channel grew by 2.5% with 1% volume growth. Boroplus Antiseptic Cream grew by 39%, pain management grew by 4%, and 7 Oils in One grew by 25%, however, healthcare range posted flat growth, and Navratna declined by 3%. The slowdown in discretionary consumption amidst prevailing low macroeconomic conditions impacted our male grooming range and Kesh King, which declined by 32% and 11%, respectively. Although sales growth was lower in some of the key brands, offtakes were ahead of their respective categories, leading to market share gains. Balm's volume share were at 54.7%, which grew by 120 basis points. Boroplus volume market share at 75.2% grew by 200 basis point. Kesh King volume market share at 26.6% grew by 140 basis points and Fair and Handsome cream's volume market share at 66.2% grew by 130 basis points. Navratna Cool Oil maintained its leadership position with a volume market share of 65.5%.

International business grew by 20% during the quarter led by satisfactory performance in Bangladesh. Excluding the new acquisition Creme 21, international business grew by 7%. In this quarter, modern trade grew by 4% and e-commerce by 53%.

During the quarter, gross margins at 69.7% grew by 110 basis points. EBITDA at Rs. 193 crores grew by 3% due to 19% jump in other expenditure, which includes a one-time provision for disputed tax liability, impacting profits by 5.5 crores and other costs for various strategic initiatives. PAT at 96 crores grew by 16% and cash profit at 178 crores also grew by 8%.

For the first half of this financial year, our revenues were at Rs. 1310 crores, which grew by 5%. Gross margin at 67% declined by 50 basis points due to increased raw material costs. However, EBITDA at 328 crores grew by 6% and EBITDA margins at 25% increased by 20 basis points. PAT at 135 crores grew by 24% and cash profit at 301 crores also grew by 10%. We are also pleased to inform that the Board of Directors have declared an interim dividend of 200%, that is Rs. 2 per share.

Recent economic measures by the Government and RBI to add stimulus to market liquidity is envisaged to boost the demand and curb during the second half of the financial year. Softening of raw material prices and cost control measures are also likely to add margin improvement on both mid-term and long-term basis. We stay committed to focus on our brand building initiatives.

With this brief, I now open the Q&A. Thank you so much.

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

Abneesh Roy: Sir, my first question is on Boroplus actually, so you have seen a 39% growth on 7% dip which means 32% growth and two years back also it was a strong base of around 32%, so is there any learning you can take from Boroplus which can be applied to rest of the business because Boroplus also is reasonably discretionary, it is not that it is a necessary item specially in a September quarter, it is not a winter quarter so any learning, is the business head here different or you are doing some tactical thing different, could you discuss that?

Mohan Goenka: Abneesh, Boroplus is not at all discretionary, the season is about to start, this is the peak season, it is a problem solution brand and as you know it is mostly sold in winter. It is necessity during winter months, so we do not term it as discretionary. Discretionary we call it as Fair and Handsome and Kesh King, these are the only two discretionary products in our portfolio, so because October month we had so many holidays, so I think we had to fill in the pipelines in the month of September because of the holiday season coming in, that is why we had to put pressure on Boroplus cream and you saw this 39% growth.

Abneesh Roy: Sir, Kesh King what has happened because discretionary slow down was there earlier also?

Mohan Goenka: So Kesh King has come in the base, I know that Kesh King there has been a decline of almost 10%, but going forward I think we would be able to maintain our numbers. It is now the base has also become bigger from this quarter, so the impact is mostly on discretionary items. We have been able to maintain, if you would see almost all the products we have been able to maintain our numbers whether it is balm or it is Boroplus or Navratna or others, the two brands which have got impacted is this Fair and Handsome and Kesh King.

- Moderator:** Thank you. We have next question from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Sir, first just extending the question on Kesh King, during the rise of Patanjali, Kesh King as a brand was impacted by that. Now, as we are picking up in many other categories that Patanjali is actually receding, why Kesh King is not benefiting from the same or is it just the general slowdown is overwhelming and not helping us on that count?
- Mohan Goenka:** Overall, Tejas as I explained that the brand has last year now it has come in the base. Overall discretionary spends are really impacting the market, it is an expensive product at Rs. 160 per 100 ml, so we are also getting impacted only because of that, otherwise, there is no other reason. I agree that the threat from Patanjali has come down significantly, so there is not the kind of growth that we envisaged; but at the same time I do not think there would be decline also in this category. Oil has always been a challenging market, so it takes a while for the brand to pickup.
- Tejas Shah:** Sir, in that parlance 7 Oils in One is actually doing phenomenally well, so is it that the positioning or the target audience is materially different and the base we know, but at least the same must be reflected in retail offtakes as well?
- Mohan Goenka:** Absolutely, the target audiences are different, it is a new category in itself which we are trying to create, so the price points are very, very different for both. Because of the new campaign by Katrina Kaif also we have seen some offtakes seen in 7 Oils in One, so overall you know because of the price and everything, we are not seeing the same momentum in Kesh King at this point of time compared to 7 Oils in One. You are right 7 Oils in One is a very low base compared to Kesh King.
- Tejas Shah:** Sir, this is just an observation here in the choice of brand Ambassadors here for 7 Oils in One versus Kesh King, is it that Kesh King is targeting slightly senior bracket of consumers and...?
- Mohan Goenka:** Yes, absolutely, there is no doubt. This is mostly for hair fall, most of the consumers are almost 40 years plus.
- Tejas Shah:** Sir, gross margin expansion was very healthy this time, so was it largely led by RM correction or mix change also and how is the outlook there on that count?
- Mohan Goenka:** We have been saying from last quarter that there is reduction in the raw material cost and I think the same momentum should continue in the second half also.
- Tejas Shah:** Is the trend improving?
- Mohan Goenka:** Yes, the trend is improving.

- Moderator:** Thank you. We have the next question from the line of Aditya Gupta from Goldman Sachs. Please go ahead.
- Aditya Gupta:** My first question is on the Male grooming category, here we have said the category has declined 32%, but Fair and Handsome cream grew by 4.6%, so what led to the large decline in the quarter?
- Mohan Goenka:** What happened Aditya is Nielsen takes overall brand. What has happened in Fair and Handsome, we had given substantial quantity as free offers with other brands, so if you club both, it does not come in our revenue what we give free as consumer promotions, but Nielsen takes it in their offtake, so if I combine the two then internally also the brand has grown at 4%.
- Aditya Gupta:** Basically, it is that majority of the Nielsen offtake is also calculating basically...
- Mohan Goenka:** The consumer offer, so good quantum of consumer offer was given in this quarter which led to this decline also.
- Aditya Gupta:** With what products was this largely offered?
- Mohan Goenka:** It was offered with Navratna Cooling Talc.
- Aditya Gupta:** The second question is on the international business here you have seen a much stronger growth, what has driven this growth?
- Rajesh Sharma:** It is mostly led by Bangladesh and there are two parts, one is the Creme 21, if you combine Creme 21 then it is 20%, otherwise it is 7% growth, and this 7% is also led by Bangladesh.
- Aditya Gupta:** What would be the growth in the other market say the UAE or?
- Rajesh Sharma:** That we can give you the details. More or less what I can see is other geographies are mostly flat, Bangladesh is where we have grown at almost 30% and Middle East we have grown at almost minus 3%, Africa we have grown at 10%, and CIS we have declined 10%.
- Moderator:** Thank you. We have next question from the line of Kaustubh Pawaskar from Sharekhan Limited. Please go ahead.
- Kaustubh Pawaskar:** Sir my question is on the margin front as you said that gross margins are expected to improve going ahead, so at the operating level also should we see our margins improving or should we expect more savings to be passed on in terms of advertisement and promotional spending?
- Mohan Goenka:** I think Kaustubh there could be some improvement because we are also doing all around cost reduction in many other areas, one is the gross margin, one is also on other administrative costs,

so I do not think that would be spent on advertising or other cost, there could be an expansion on margin.

Kaustubh Pawaskar: Sir, my second question is on the healthcare range of products, Pancharishta the growth was 13%, so Nityam range which was differently launched and chyawanprash, what kind of growth these particular range are achieving as, when can we see high based from this particular product so that barring Pancharishta your growth would continue to remain in double digits?

Mohan Goenka: They are still very small, it would take some time because Pancharishta still takes away almost 60% to 65% of the revenue and Pancharishta is not growing rather it has declined in this quarter also, so I think it would take a while for these brands to reflect on the overall growth.

Moderator: Thank you. We have next question from the line of Bharat Thakar from Investec. Please go ahead.

Bharat Thakar: Just few questions from my end, firstly just wanted to understand how the winter placement has been for you, I understand that Boroplus you had to do it a little early, but how are you seeing it overall, how are you seeing the offtake etc.?

Mohan Goenka: Winter has just set in North, because you know October month was mostly this Diwali and Dusshera Festival season, so unfortunately the products could not be loaded in the market so much, it has just started going into the market, so we would only be knowing in the month of November now.

Bharat Thakar: Second question is on the margin profile for the second half of the year, now obviously you have a low base of gross margins and you have the benefit of material cost in the second half, I just wanted to get your sense on how this will be worked out, so first half you have kind of a flattish advertising growth, do you see higher redeployment in terms of ad spends in second half of the year to drive growth or do you still feel that market is not conducive enough for us to increase the spend?

Mohan Goenka: I just answered that, I do not think the savings would go into much on advertising because we are also trying to save on the advertising cost front two to three negotiations and all, so as I said there could be some margin expansion. The market also are not very, very conducive but we cannot wait for very long also, we are trying to see how can we start now launching some of the new brands, so overall I think maybe in the fourth quarter, we would be rolling out some new brands, but it would not increase our advertising budget honestly.

Bharat Thakar: On the male grooming side, you had said that it is a strategy that you are kind of reworking by when can we expect that to start to kind of fructify in the market or you come out with something which you are doing, should it be rolled at the end of this year or early next year?

- Mohan Goenka:** In the fourth quarter.
- Bharat Thakar:** On the other expenses, you said there is a one-time of 5.5 crores and there were other strategic cost that you kind of under took, could you talk about that or?
- Mohan Goenka:** Those are mostly on the consultants for the cost reduction measures that we are taking in. It is also the BCG and other costs.
- Bharat Thakar:** This should largely be booked into this quarter or you should see some of that going forward as well?
- Mohan Goenka:** It would come also in the next two or three quarters.
- Bharat Thakar:** Last question Sir was on the CSD side, you have seen a bit of a pickup this time around and this kind of double-digit growth has not been there for four quarters or so, could you just comment on if you see that channel kind of having turned around or it is pretty much going?
- Mohan Goenka:** I really cannot comment to be very honest, because this was also loading of our winter products, so that I really do not know whether it would be consistent or, that is beyond our control honestly.
- Moderator:** Thank you. We have next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Sir, in terms of the healthcare division, we have consistently seen that the performance has been up and down and that is mainly because of Pancharishta, so what is the strategy there and when does base hits Pancharishta, because Pancharishta has been seen impacting the growth rates in the past quarters as well?
- Mohan Goenka:** Gaurav, I mentioned that because we cannot only rely on Pancharishta, we are trying very hard to see how can we revive it, but despite best efforts the brand is not growing so much, so we are trying to push in other brands, which are the Nityams or many other brands, so that at least the healthcare does not decline, so we have also launched a new campaign on Pancharishta very recently, the last campaign did not work so we have reworked on our campaign and they are already in the market, so let us see how do we get the response, but as I said because 60% of the revenue is Pancharishta, 50% to 55%, but if that does not grow, I cannot really grow the whole healthcare.
- Gaurav Jogani:** What has been the problem with the product, I mean is there consumer side or....
- Mohan Goenka:** That we have discussed many a times, honestly I do not have a clear answer.

- Gaurav Jogani:** Sir, second question is on the overall macro demand front, do you have seen the demand hitting a base or maybe the worst is over for you and anything on that front that you could comment on?
- Mohan Goenka:** I would not say that the demand has bounced back or something like that, still we have to struggle to get the growth numbers, so we have to wait and see because this time it is very, very erratic, one month we see good growth and suddenly we see decline, there is no clear trend that okay this growth has come back.
- Gaurav Jogani:** Sir, just last bit, are you also doing any additional promotions in the trade channels per se to incentivize the offtake or something of that sort?
- Mohan Goenka:** We have been absolutely hands on promotions, without that the growth is impossible.
- Gaurav Jogani:** Sir, both kinds of promotions either it modern trade or it is general trade or it is a consumer-led promotions, incentivizing, these are all part of the overall strategy, my point is has that increased?
- Mohan Goenka:** It has increased.
- Gaurav Jogani:** Any numbers that you would like to put on that any percentage?
- Mohan Goenka:** Not really, I do not have the numbers right now also but overall I know that the promotions have increased.
- Moderator:** Thank you. We have next question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.
- Shirish Pardeshi:** I have two questions, the first question is we have seen the investments has gone up, so if I look at the balance sheet you have borrowed about 108 crores and cash has decreased by 100 crores, so there is net investment of 200 crores, what is this investment is for?
- Rajesh Sharma:** These investments are mostly into mutual fund liquid investments.
- Shirish Pardeshi:** My question is why we have borrowed, I mean if I see that even interest cost has gone up?
- Rajesh Sharma:** Right, so mostly we borrow for some arbitrage benefits and requirement in our working capital, so whenever there is surplus we park that surplus funds for sometime in the liquid investments of mutual funds.

- Shirish Pardeshi:** The second question I have is that we have been listening that there is an incremental liquidity pressure in the trade and most of the companies has resorted by extending some credit lines, so is the company, Emami has also done that or how are we looking at?
- Mohan Goenka:** We have also extended very small credit to few of our dealers for 7 days, just to see what response do we, but yes we have extended some bit of credit.
- Shirish Pardeshi:** Sir, is it because we have a large winter portfolio that is what because in past we have always said that we will never ever get into the credit cycle?
- Mohan Goenka:** I agree, this was primarily because we wanted to load the winter products.
- Shirish Pardeshi:** On ground if you can help us to understand which region, South and West to my sense is doing better, but this credit facility or the slowdown is more pronounced in the North and maybe to some part of East?
- Mohan Goenka:** Shirish, our winter portfolio also sells in the North and East, so it was primarily to as I said to load our winter products because October month was too many holidays, almost I think 14 or 15 days were holidays.
- Shirish Pardeshi:** My next question is on if you can give some color on where we are in terms of wholesale contribution and distribution expansion and where we are seeing next two quarters will pan out in terms of distribution?
- Mohan Goenka:** Distribution I had mentioned that we are done with our distribution expansion, we are at 9,50,000 outlets now. We have put a stop at 9,50,000 for the time being and wholesale contribution presently is at almost at 38% to 40%, it has not changed much.
- Shirish Pardeshi:** My question was more when we have seen that pre-GST or demonetization contribution was much higher and right now we are at 40, so does that mean the wholesale trade is still struggling to comeback or there is some consolidation in the wholesale trade is happening?
- Mohan Goenka:** No, what is happening Shirish that there is this Cash 'n' Carry also is disturbing some of the wholesale markets because of the price, so I do not think it is more GST, it is more the modern trade which is disturbing the wholesale trade, but overall there is still some pressure at the wholesale level.
- Shirish Pardeshi:** Do we deal with this Cash 'n' Carry and what is the percentage if we get out of this?
- Mohan Goenka:** We cannot get out of this because these are emerging channels, we will have to deal with it. We only have to see how can we balance it out.

- Shirish Pardeshi:** What I am trying to get a sense that earlier our traditional wholesale used to contribute roughly about 55% to 60% and this new Cash 'n' Carry is replacing is becoming as a organized wholesale, so what kind of share you would have got it where we lost from the traditional wholesale, is that helping us or is that worrying us?
- Mohan Goenka:** This Cash 'n' Carry would be about 4% to 5% of our sales, but even that small 4%-5% it disturbs the overall wholesale market because of the price.
- Shirish Pardeshi:** Largely what kind of, do we have a difference in pricing the way we fell to modern trade and e-commerce and promotions and activity to like this organized?
- Mohan Goenka:** We do not have much differential pricing, but at times because we have to give some promotions and offers and displays, so that is what gets discounted in those channels.
- Shirish Pardeshi:** Just last one bit on international, we have seen that CIS country and then we have seen some pressure in other parts of Africa, do you think from last first half perspective the second half would be similar or would be painful or would be better?
- Mohan Goenka:** Second half in international would be even better than what we have delivered in the first half.
- Shirish Pardeshi:** That is because of winter-portfolio?
- Mohan Goenka:** Yes.
- Moderator:** Thank you. We have next question from the line of Naveen Trivedi from HDFC Securities. Please go ahead.
- Naveen Trivedi:** Sir, you mentioned that consumer offtake for most of the brands were higher than your primary number, when you say consumer offtake means the offtake growth was higher than your primary growth, correct?
- Mohan Goenka:** I had quoted the Nielsen numbers, so market shares have gone up in almost all the categories if you would see.
- Naveen Trivedi:** It is now that consumer offtakes have grown faster than the primary number, I am trying to understand maybe at the retail level offtakes have grown faster than your primary numbers and it might be supporting for your third quarter performance?
- Rajesh Sharma:** Naveen, the point is that within our categories, we have not underperformed, so within the category we have grown better, so we have gained market share for most of this categories balms, even Kesh King and Boroplus which you mentioned, even Fair and Handsome, so we gained

market share across so because the macro environment were not favorable our primary offtakes were lower, but as per Nielsen we have gained market share across in these categories.

Naveen Trivedi: You outperformed the market, but I was trying to understand from the offtake point of view?

Rajesh Sharma: But categories also got impacted because of the overall muted discretionary environment.

Naveen Trivedi: You also mentioned that other expenses had some one-off of 5.5 crores, so even if we exclude that number, the other expense is still up by 12% which is much stronger than your revenue growth, any comment on that?

Rajesh Sharma: Which Mohanji mentioned earlier that we have also spent on some of the strategic initiatives which is for some consultants on cost rationalization project and some other marketing initiatives.

Naveen Trivedi: Do you think it will continue in the coming quarter also?

Rajesh Sharma: Yes, it will continue in next one or two quarters at least, in next year we have to plan it out again, this is what benefit we see this year.

Naveen Trivedi: Sir, is it possible for you to share how has been your urban-rural growth this quarter?

Rajesh Sharma: Urban and rural were mostly similar this quarter, in the first quarter we have seen urban growing at a faster pace than rural but in the second quarter both urban and rural have grown at a similar pace.

Moderator: Thank you. We have next question from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Last quarter you had mentioned you expect to grow sales by about 9% to 10% for remaining three quarters, this quarter obviously has been lower, can you share your thoughts on the next two quarters, how do you see things, any green shoots you are seeing, any pick up in rural demand which you are seeing?

Mohan Goenka: Kunal as I said it is early for me to comment, because we are now overtly dependent on the winter season, so if the season works out to be very good then I am sure we would be able to achieve the 9% to 10% growth in the second half, but if the winter does not set in then everybody struggles, so let us wait I think the winter has just started in the North and in the East, just have to wait for some time.

Kunal Vora: What is the contribution from sachets, which used to be 25% to 27% two years back?

- Mohan Goenka:** It is still the same, but sachets good that you raised, I think sachets demands are increasing I am seeing that in the last 40 to 45 days.
- Moderator:** Thank you. We have next question from the line of Neha Dhoot from ICICI Bank. Please go ahead.
- Neha Dhoot:** Sir, wanted to know how are we placed in reducing the current promoter pledge situation?
- Mohan Goenka:** Neha, from the last that we had published, our pledge was almost 69%. As on date it is almost 63.5%, so you can see there is good reduction in the pledge levels and as I have always maintained, we are committed to bring it down to zero levels, and hopefully, we will get to hear some good news in the next two quarters.
- Neha Dhoot:** Sir, if you can give me some sense on the CAPEX which is lined up for the next two quarters or next one year?
- Mohan Goenka:** Now, there is hardly any CAPEX, it is only ongoing CAPEX, the big CAPEX are almost done.
- Moderator:** Thank you. We have next question from the line of Vishal Punia from Nirmal Bang. Please go ahead.
- Vishal Punia:** This quarter we had seen a very sharp growth in CSD channel, so excluding CSD what would have been our growth in domestic value as well as in volume terms?
- Mohan Goenka:** In overall, the revenue growth was 2% and volume was flat.
- Moderator:** Thank you. We have next question from the line of Riken Gopani from Infina Finance. Please go ahead.
- Riken Gopani:** Sir, I just wanted to understand with regard to this consultants that we have appointed and these have some cost related to, apart from cost reduction what are the outcomes which we are trying to work with from these consultants?
- Mohan Goenka:** There are many, we are trying to improve on the supply chain side, we are working with one of the consultants. On BCG, we are working on male grooming and on Kesh King and all these brands with AT Kearney we are working on cost reduction, so there multiple consultants working for different projects.
- Riken Gopani:** These are if you could highlight sort of what duration projects and when do you see any material outcomes to be measured from the same?

- Mohan Goenka:** Some projects have just kicked off in the last month only, so I think in the next two to three quarters, we would see some reduction on the cost side that is why I am saying we are optimistic that there could be a margin expansion if everything goes off well.
- Riken Gopani:** Sir, the second question which I had was with regard to Navratna where also you have seen a decline in revenues, so if you could share some thoughts on what is driving the same and you have not highlighted that as being a discretionary category so in that sense?
- Mohan Goenka:** See the decline was 3% and it was mostly because we pushed too much of the winter products, so little impact was because of this, otherwise I do not think it is much of a worry because everybody has stocked Boroplus and Boroplus grew at almost 38%-39%, so the orders of Navratna came down slightly.
- Riken Gopani:** You expect that to normalize?
- Mohan Goenka:** It is very normal, it is not much of a botheration.
- Riken Gopani:** But did this higher stocking of Boroplus this year in this quarter compared to, this would have probably happened in Q3, has a positive impact on your operating performance as well because I assume Boroplus would have a relatively better operating margin structure if you could share your thoughts on that?
- Mohan Goenka:** That is there, Boroplus has good margins, we got these numbers. Let us see if the winter sets in nicely then the stock will really go. October month was a weak month as far as secondary is concerned because there were too many holidays in the October month that is why we had to put the stocks because Diwali was falling in the last days on October, so most of the billing happens in the last week, so we had to put it in the last month, otherwise winter is a very short period, we have to put all our stocks in the market which would happen in October we had to put it in September, otherwise we would have lost 20 to 25 crores of business.
- Moderator:** Thank you. We have next question from the line of Anubhav Sahu from MC Research. Please go ahead.
- Anubhav Sahu:** Sir, couple of questions, one is follow up on the promoter's pledge holding, so wanted to know if there is any other plan or other discussion to further renew this thing in terms of maybe stake sale or monetization of companies, anything under discussion which you can come?
- Mohan Goenka:** I cannot discuss what exactly we are doing, I have been very clear we are committed to bring the pledge down to zero. As I have maintained that things are progressing very well to monetize some of our non-core assets, whenever that happens as I said in the next two quarters hopefully you will get to hear some positive numbers, pledge has also come down from 69% to 63%. There is no question of any further stake sale as for as Emami is concerned.

- Anubhav Sahu:** Sir, when we look at the general trade channel level, so wanted to understand that, could you tell us what is the growth in urban and rural areas, just looking at the general trade level?
- Mohan Goenka:** Flat, there has not been much growth, company only we have grown at 1% or 2%, the growth has been very similar in urban and rural.
- Anubhav Sahu:** I wanted to understand, basically I am coming to this point that if I am well understood that liquidity crunch has been a reason we had slowdown, a drag in general trade channel, but want to understand that if the urban trade channels also did proportionally impacted by the role of cash-and-carry kind of format, so in that sense probably urban trade channel is more larger issue of slowdown compared to rural one?
- Mohan Goenka:** But it happened in the last quarter where urban grew faster than rural, in this quarter the growths are similar so our rural has caught in a little bit to urban, which is a good sign because if rural bounces back, we would see some good numbers coming forward in the coming quarters.
- Anubhav Sahu:** Sir, as of now how much would be the share of rural sales, it used to be around 40%-45%?
- Mohan Goenka:** Rural for us was almost 54%-55%, rural is slightly more than urban for us.
- Anubhav Sahu:** Sir, how much is modern trade channel?
- Mohan Goenka:** Modern trade now is about 9%.
- Anubhav Sahu:** It grew by 4% this quarter?
- Mohan Goenka:** Yes.
- Moderator:** Thank you. We have next question from the line of Abhijit Kundu from Antique Stock Broking. Please go ahead.
- Abhijit Kundu:** From the floods that had happened in Bihar and Jharkhand, any impact of that or you see any disruption in distribution anything on that during this quarter?
- Mohan Goenka:** Not very material, no. This was in October, not in quarter.
- Abhijit Kundu:** Secondly, the effective tax rate for the full year what would be that?
- Mohan Goenka:** It will be roughly about 19%.
- Moderator:** Thank you. We have next question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

- Shirish Pardeshi:** We have got this fiscal benefit which was been announced in the corporate tax rate, Mohanji you just mentioned that it is about 19%, but I am sure we have the MAT credit and these all things, so can you guide the future how the tax rate one should look at and what we should factor in?
- Rajesh Sharma:** So yes, Shirish we do have good amount of MAT credit and also our major plant which is Pacharia in Guwahati enjoys tax holiday for another six to seven years, so we expect to remain on the MAT for at least five years plus, so which means we would pay 17% of tax on our standalone profitability, so overall our tax rate going ahead for five to six-seven years I think should be around 19%-20% including our subsidiaries.
- Shirish Pardeshi:** That is on consol basis?
- Rajesh Sharma:** Yes, on consol basis.
- Shirish Pardeshi:** Is there any plans that because Government has announced some new capacity where we can get the further benefit, so now I believe that we have chosen that because we have a MAT credit, we will take the benefit of MAT and not get into the new capacity.
- Rajesh Sharma:** New capacities we have to plan it out, as of now we do not see any need for any new capacity immediately for next one or two years, but we have to plan it out so we have to see and this new plants also are for new companies, the existing companies which opens new plants he will not get tax benefit, so those modalities you would also have to see.
- Shirish Pardeshi:** Last one question I heard Mohanji talking about there is pessimism and there is a slowdown which is there in hair oil category, but is that per se the premium segment which we have seen that it is happening, the slowdown is happening in non-coconut segments much faster and then Amla is growing faster, so is that specifically for us in terms of 7 Oils in One oil which has not affected yet because of these, but this is more pronounced on the cooling oil?
- Rajesh Sharma:** Because 7 Oils in One is a very, very young category and a very new brand, very small base in India, so I think on a smaller base we are not getting that impact and they still manage to grow despite these challenging environment.
- Shirish Pardeshi:** What I am trying to get a sense Rajeshji that I can see that Navratna oil is very strong into the central Indian belt and UP and Bihar, but then South I do not think there is slowdown in the hair oil so is that your experience that even Navratna is also slowing down in South markets, I mean for us South market is not done, but I am saying from the consumption perspective you said that there is a challenge for discretionary items offtake?

- Mohan Goenka:** Shirish, you are right, that Kesh King because of the price, we are seeing that pressure. Navratna I am not seeing much of a slowdown in any of the markets, also sachet demand is on the rise for almost all the brands.
- Shirish Pardeshi:** Maybe what you are trying to say that people have not stopped using the brand, but they are downscaling to the size of the product what they are buying?
- Mohan Goenka:** Yes, absolutely, not at all they have stopped using the brand, we are seeing people are shifting to some cheaper options, that is definite down trading is happening, the Kesh King would get impacted in these times when consumer cut costs.
- Moderator:** Thank you. We have next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** We have seen a spike in other income, any one-offs there?
- Rajesh Sharma:** If you look at our interest cost also they have also gone up, so both interest paid and interest received in other income has gone up this quarter.
- Prakash Kapadia:** It is because of the arbitrage which you mentioned?
- Rajesh Sharma:** That is one reason and also we have sold some one land parcel, so there is some profit on the sale of assets also to the tune of roughly 3 crores.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Percy Panthaki from IIFL Securities for closing comments. Sir, over to you.
- Percy Panthaki:** I would like to thank Rajeshji and Mohanji for giving us the opportunity to host the call, better luck Sir for coming quarters and your future endeavors. Over to you Sir if you would like to add any more comments.
- Mohan Goenka:** Thank you Percy, thank you for arranging this call and I thank all the participants for joining us on our second quarter earnings call.
- Moderator:** Thank you very much, Sir. Ladies and Gentlemen, on behalf of IIFL Securities, that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.