



emami* limited

10th August, 2018

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 2nd August, 2018

With reference to our letter dated 27th July, 2018 regarding Investor's Conference call, post declaration of Unaudited Financial Results of the company for the First Quarter ended 30th June, 2018, 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



“Emami Limited Q1 FY2019 Earnings Conference Call”

August 02, 2018



ANALYST: MR. PERCY PANTHAKI - IIFL CAPITAL LIMITED

MANAGEMENT: MR. MOHAN GOENKA – DIRECTOR – EMAMI LIMITED
MR. RAJESH SHARMA – SR. VP –FINANCE, ACCOUNTS & IR – EMAMI LIMITED

Moderator: Good day ladies and gentlemen and welcome to the Q1 FY2019 earnings conference call of Emami Limited 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: Hello everyone good morning I would like to welcome you to the Emami’s Q1 conference call hosted by IIFL. We have with us Mr. Mohan Goenka, Director and Mr. Rajesh Sharma, Sr. VP- Finance, Accounts & IR and without further ado, I will hand the call over to Mr. Goenka for his initial comments.

Mohan Goenka: Thank you Percy. A very good morning friends. I welcome you all to this conference call on Emami’s results for the first quarter ended June 30, 2018. We are happy to inform you that we have started the year with a robust growth. The company closed the quarter with a turnover of Rs. 614 Crores with a like-to-like growth of 19%. The company grew strongly during the quarter and most of our major brands continued to perform well.

Domestic business which is witnessing a gradual improvement in demand grew by 21%. Markets across urban and rural regions are seeing an upward trend with recovery in wholesale with seems sustainable given the positive macro-economic sentiments and underlying demand drivers. Modern trade and CSD grew by 43% and 28% respectively.

Major brands like Navratna grew by 19%, pain management grew by 39% male grooming range grew by 8%, Kesh King grew by 10% and healthcare range grew by 28%. Q1 being the non-season, Boroplus declined by 15%. We continued to gain market shares for key brands in Q1 FY19. Navratna cool oil market share at 65.6% grew by 160 basis points. Fair and Handsome Cream’s market share at 66.9% grew by 270 basis points and Fair & Handsome Face Wash market share at 17% grew by 190 basis points. Balms market share at 54%, Boroplus at 75% and Kesh King at 27.5% maintained their leadership in their respective categories.

During the quarter the company roped in Bollywood superstar Mr. Amitabh Bachchan to endorse OTC health care brands, Zandu Pancharishta and Zandu Nityam and youth icon Kartik Aaryan and Vidyut Jammwal to endorse Fair and Handsome. International sales grew by 7%, SAARC and MENAP regions performed well, however CIS region

underperformed. Ex-CIS international sales grew by 21%. Despite increasing prices of raw materials gross margin at 66.3% grew by 140 basis points. EBITDA grew by 54% and cash profit grew by 45%. EBTIDA margins at 20.1% grew by 520 basis points and cash profit margins at 18% grew by 390 basis points.

Our enhanced focus and investment on the modern trade and e-commerce channel has yielded positive results. Modern trade now contributes at 8% increased by 140 basis points compared to previous year. We have already completed the roll out of sales automation by arming our sales team with handheld devices to improve the quality of market work.

We have invested considerably in enhancing our rural and retail reach which has reduced our dependability on the wholesale channel. We will continue to focus on the newly launched products and invest aggressively in building IT infrastructure with renewed focus on our healthcare range and robust spends in its R&D and marketing communication. We expect it to contribute significantly to our growth in the near future. With this brief, I now open the Q&A and invite the questions. Thank you so much.

Moderator:

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

Abneesh Roy:

Sir thanks for the opportunity. My first question is in terms of volume growth going ahead the base is not favourable anymore you have got 10%-6% and 9% as the base for the next three quarters and in UP and Bihar, the rainfall has been erratic. It was not happening and then it happened and very heavy rainfall both of which is not good and these are key markets for at least some of your products. So do you see that as a challenge base and the erratic rainfall?

Mohan Goenka:

So Abneesh honestly I do not see it as a big challenge. Of course the second quarter has a little high base but underlying demand is good for some of our brands. So we are confident that if the seasonality is favourable then we are confident of achieving double-digit volume growth. Because in this quarter also, we have done a detailed analysis and we found our numbers to be very good, if you see the balm portfolio which has grown by almost 40%, it was only because of seasonality whereas Navratna grew by 19% because there was very early monsoon in some parts of the country otherwise Navratna could have grown easily by 28%-29%. So it would more depend on the season because underlying now the wholesale is back on track the rural retail everything is we are not finding any disruptions at any level.

We are just expecting good season then I do not see any reason why we should not grow at double digit.

Abneesh Roy: Sir on that word season if you see Kesh King was supposed to solve that issue but still you continue to face that seasonality issue. When do you see seasonality either way not really being a big issue for you and what is the proactive action apart from the Kesh King acquisition which you did a few years back, what else is needed to overcome that?

Mohan Goenka: We have discussed quite a lot on Kesh King and we all know that there has been competitive intensity in this category, we have taken proactive actions because everyone knows that it is high on wholesale dependency, now that wholesale is back on track and we have also taken some corrective actions, we are re-launching Kesh King in this quarter. So basis all this, I do not think there is a big issue. As far as the seasonality is concerned Kesh King is not a very seasonal brand but overall we do not look at from the angle that we have to be less seasonal dependent that is not the starting point, wherever we see opportunity we see we can have success, we launch products accordingly. But by and large 60% to 70% of our portfolio still depends on season which we cannot change overnight, it would take time to change.

Abneesh Roy: Sir any impact of trucker strike in Q2 we have seen cars and cement players point this out, in your case any impact?

Mohan Goenka: Yes, there were huge impact for seven, eight days.

Abneesh Roy: So that sales will be loss right, is it secondary channels or is this primary channel?

Mohan Goenka: No it was both primary and secondary, secondary was little less impacted but primary was impacted for eight days.

Abneesh Roy: Sir second question is on Zandu Diabrishta. This is a good innovation but clearly there is lot of low price players who keep advertising on the hindi news channels etc., there is Dabur also. So in that context what is the differentiation here and do you see this as a big market share in the next three, four years?

Mohan Goenka: No definitely it is a huge innovation by our R&D and unfortunately, we cannot advertise this product because it is not allowed. So which ever company has more reach through doctors and through the chemist channels they would be more successful. So it is an

excellent product let us see, we have just launched in this quarter. So if it clicks then it can be a big market. But we do not advertise.

Abhneesh Roy: What is the pricing of your product?

Mohan Goenka: It is Rs.90 for 200ml.

Abneesh Roy: But Sir how our competitors are able to advertise, is that a separate category and separate rule?

Mohan Goenka: Yes, no one can advertise for diabetes.

Abneesh Roy: And Sir final question Kesh King wholesale was 75% in Q4, what is the long term plan on this number changing?

Mohan Goenka: It will gradually change Abhneesh because we cannot overnight change wholesale to retail and gradually it is coming down also, now with our new launch we are increasingly focused on retail as far as Kesh King is concerned also we are seeing as I said competitive intensity from one of our competitors is reducing now, so I think we should get the benefit.

Abneesh Roy: Okay Sir that is all from my side. Thanks.

Moderator: Thank you. The next question is from the line of Vivek Maheswari from CLSA. Please go ahead.

Vivek Maheswari: Good morning Sir. Sir few questions, first on the volume growth, while this quarter volume growth 18% domestic is very good but if you look at the two-year CAGR, it is still in negative, why would you say that... and looking at some of the competition where you know the two-year volume growth has been around mid single digit, so what is still an issue with the Emami specifically if you can highlight, is it still that wholesale is not fully back and will come back through the course of the year or why exactly on a two-year basis it is still negative?

Mohan Goenka: So Vivek we have to then dive into product wise. So by and large if you see balm portfolio, they have done exceedingly well also two-year CAGR even Boroplus is done well, but Navratna oil two-year CAGR is also about 8%-9% okay but we rely heavily on summer brands as far as this quarter is concerned where we found a little because there were early monsoons in many parts of the country, so Navratna demand was a little low plus Kesh King, because of the re-launch of Kesh King, we had supplied a little less stocks in the

market we are re-launching the brand now, so that was also one of the reason that Kesh King sales was a little low. But overall brand wise, we are not seeing big challenge. Also Fair and Handsome has been re-launched in this quarter. So overall I would say seasonality would have been a little more favourable definitely, we would have got a volume growth two-year CAGR.

Vivek Maheswari: Okay so part of the reason is season and you think although you mentioned in your comments just before this but wholesale, it is pretty much back on track, are you back to let say pre-DeMon, pre-GST levels?

Mohan Goenka: Yes, by and large, wholesale across the country is back on track so I do not see that as a big challenge anymore.

Vivek Maheswari: Okay, that is good to know. Second on your comment about double-digit volume growth is that comment for rest of the year as in second, third, fourth quarter or nine months, are you gunning for that or on a full-year basis you are talking about double digit?

Mohan Goenka: On a full-year basis we are talking, but this second quarter has a little high base but we are confident that on a yearly basis, we will see a double digit growth.

Vivek Maheswari: Healthcare, there is obviously there is a base advantage but nonetheless, the growth is very strong, one how did Pancharishta performed in this quarter?

Mohan Goenka: Pancharishta growth was almost 19%. Pancharishta now that we have roped in Amitabh Bachchan, the campaign is on also. So we are hopeful that it should be back on track and July month has also done well for this Pancharishta..

Vivek Maheswari: I mean in the past you had said that you know you are unable to identify the reason why the brand was not performing that well, could you elaborate if there is anything if you are able to target which is why the growth is again back anything on that front?

Mohan Goenka: This quarter has been a little base effect but honestly we have not got the clear answer why but we have changed a little bit of our strategy, our campaign says so we have... the communication has changed a little bit, let us see I think with the new communication, we are expecting the numbers to change.

Vivek Maheswari: Okay. And two more if I may, one on the CHD again you mentioned in the opening remark there is a renewed focus on CHD so what and a couple of years back you had high

expectation from CHD what are you doing this time differently compared to what you did at that point of time could you elaborate on that?

Mohan Goenka: You mean the healthcare right?

Vivek Maheswari: Yes, the healthcare Sir.

Mohan Goenka: So healthcare , Vivek that this quarter we have launched Zandu Diabrishta which is I think a breakthrough product. If can market it differently, I think it can be a big idea. Similarly we have identified a lot of these products last time we had launched all in one go but this time we are going one by one, we are identifying this niches, which have got huge potential for alternate medicine has got a huge market in India, of course the competition may be local but I think our R&D has identified some breakthrough ideas, so we are relying on that and let us see how it goes.

Vivek Maheswari: Okay and these launches are national or at that point of time you restricted to one state I think, this time around how is it?

Mohan Goenka: Diabrishta is national. So depending on the response of Diabrishta we take the call for other products also.

Vivek Maheswari: Interesting. And last bit with menthol prices and crude oil prices and essential oil . How do you see margins going forward and any specific price hike in this quarter or something that you are planning going ahead?

Mohan Goenka: We are done with our price hikes for this year and I have also maintained that we will maintain our margins despite of high input cost. We will reduce cost from somewhere but we will maintain our margins.

Vivek Maheswari: Okay. Can I know the extent of price hikes please?

Mohan Goenka: For the year the price hike is about 4%.

Vivek Maheswari: Perfect. Alright Sir, thank you and wish you all the best.

Moderator: Thank you. The next question is from the line of Manoj Menon from Deutsche Bank. Please go ahead.

Manoj Menon: Mohanji and Rajeshji, good morning. I had only one question which is essentially regarding some of Emami's growth witnessed in the last few years. So men's grooming was one you know expanding Navratna into women or I mean the non-men part of it was actually other one, international has been probably the third one and obviously there is quite a few others also but at least if you could just help me understand you know category wise where are we and what you think for the next couple of years?

Mohan Goenka: So Manoj, you are very right and these still remain the focus category as far as men's grooming is concerned, we launched HE in the men's grooming, Fair and Handsome face wash is doing exceedingly well. Fair and Handsome cream over the last two three years have been a little challenging but we have re-launched the brand in this quarter. We have also roped in two young stars and the campaign is also on. So we have also increased our advertising spends in the male grooming category. So I think and also the discretionary spends over the last two years have been pretty low. So going forward, I do not see any reason that with such a strong market share with all the changes that we have made this category should grow below 15%-16%. This is the men's grooming. As far as Navratna is concerned, it is doing very well and now that the issue of wholesale is more or less over, if we get good season I do not see any but there is no worry for Navratna, the women area is a tricky area we tried it in some markets. It did not take off the way we expected but still the penetration of Navratna is low and it all depends on season, if there is good season Navratna automatically grows at above 12-13%. Healthcare I have already spoken Manoj that we have launched Diabrishta, it is a big market. Diabetes is a huge market in India. This is a breakthrough product. Similarly we have identified many more products like those, so we would be launching a lot of new products in the healthcare area. So international CIS has been down by almost 60% in this quarter you know this was one off because we took aggressive price rise there. So otherwise if you exclude CIS then the growth is 21%, so I am sure international I have said for the year we have targeted a growth of about 16%-17% and I still maintain that for the year we will grow at 16%-17%.

Manoj Menon: I understood the current market organic do you think that there is a reasonable opportunity to have a contiguous expansion newer markets or is it that the portfolio need a lot of tweaking and it is not a priority for you currently?

Mohan Goenka: Of course, it is a huge priority for us. We are never referred it as international and market by market we are looking at opportunities, we are going into newer market also, Srilanka also the third party manufacturing has started so we have hired international CEO also. So it is definitely an important area for us and I have said see even if this quarter the growth has been 7%-8% but the year I am still maintaining at the growth of 16%-17%.

- Manoj Menon:** Okay and one last question on the therapeutic hair fall that segment, what is the segment growth trends you are seeing, so that is for the first question. Second is that is it a consolidated sort of a market share construct sort of a segment I mean what I mean is that it is basically Kesh King then Indulekha and then there is Aswini, is it just that three players account for 70%-80% of the market and it is a growth market, so the two questions Sir how should I think about the market growth for the therapeutic anti-hair fall and within that is there a big share gain opportunity as well for you?
- Mohan Goenka:** So Manoj the market size is pretty large and it is a new market because Kesh King is also just a seven-, eight-year-old brand, same is Induleka same is Patanjali. There are many other brands Aswini, Sesa, there are these small, small players also. So market size is big and also in terms of profitability margin, it is a huge area. So companies are now spending good amount of money in this and if five, six companies spend money then of course the market also grows okay, so... and this hair fall is a big issue because of water because of pollution because of many other factors. So it is too early for me to say how the market will perform I think all of us are increasing our spends re-launching something or the other so at this point of time let us not even think that what is the potential, I think it is huge potential.
- Manoj Menon:** Okay I understood. Thank you and all the very best.
- Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Thanks for taking my question. So on the Zandu Healthcare Portfolio what is the contribution from chemist channel to our overall sales what is the reach and any plans to expand the distribution there?
- Mohan Goenka:** See by and large we are done with our distribution in the health care also and majority of the business comes from medical outlets only. So presently in the healthcare we reached to almost 125,000 medical stores and so there also, we have expended last two years only.
- Prakash Kapadia:** It was earlier more like 60000, 70000 two, three years ago.
- Mohan Goenka:** Right, absolutely. So that area is already done that is why we have... now it is time for us to launch some brand in that area.
- Prakash Kapadia:** Apart from the diabetes segment which you highlighted you showcased that in your presentation also, is it the right time to use Zandu products because there are smaller,

smaller products which are very good like for Trishun, Sitopaladi, Triphala, Khadiradi Vati, or honey, where you know at the launch you were very excited about the opportunity saying it is a large unorganized market. So all of these can become meaningful brands and boost Zandu revenues right so is it the right time now to push given that you know the distribution is done, product is right and there would be more of urban rather than rural focused so some thoughts on that?

Mohan Goenka: Prakashji you are very right, not that we are not focusing on those but all these brands are very niche and they have limitations. One of the brands which we took out from the portfolio was Pancharishta and which we saw that of course it had exponential growth. Similarly there are opportunities we are , as I said we are working on big ticket items and you would see those launches but these the name that you have taken, they have limited market.

Prakash Kapadia: What about honey, some thoughts or updates on that?

Mohan Goenka: Honey as we all know, our honey price is very high because it is a premium honey so it definitely falls into the niche area, opportunity are limited here, unless we reduces our prices.

Rajesh Sharma: So on the healthcare it is more of repetitive usage is what we are trying to focus and build higher revenue rather than some of the...?

Mohan Goenka: The prime focus is honestly to get Pancharishta back on track that is our big focus.

Prakash Kapadia: As we step into FY19 where you know the MSP's government push, rural India is being talked about, which are the segments of power brands which we are focusing on to drive growth for us given your comments on CST wholesale channel is back so which are two or three segments or two or three power brand which you think will grow faster or which we are focusing on for say balance up there?

Mohan Goenka: There are two, three brands which we are relying heavily one is Kesh King, men's grooming, and Navratna.

Prakash Kapadia: Okay, got it Sir. Thank you all the best Sir. I will come back if I have more.

Moderator: Thank you. The next question is from the line of Percy Panthaki from IIFL Capital. Please go ahead.

Percy Panthaki: Sir just a question on Pancharishta it is great that we have growth back this quarter but in the earlier quarter's conference call you had mentioned that you do not know exactly what the problem is with Pancharishta and why it is declining so have we got an answer to that question now?

Mohan Goenka: That we still do not have a very clear answer because after a lot of research we have done some analysis and basis that we have as I said we have changed a little bit of our campaign where we have highlighted some issues which we got from consumers and because now that it is advertised by Mr. Bachchan I am sure it should help.

Percy Panthaki: Right and this diabetes medicine that you have introduced and you cannot advertise so you are relying on advocacy here but do you think the main advocacy is going to come from ayurvedic doctors only or you targeting allopathic doctors as well?

Mohan Goenka: No it would be ayurvedic doctor.

Percy Panthaki: Right Sir and the male grooming overall piece I mean we have been talking about it since last three four years ever since we launched the HE deodorant and you had said that this deodorant would just be a entry point and we would have a much larger bouquet of male grooming products. So can you just give some kind of flavours say within male grooming what are the sub-segments we are targeting and now that it is been a fairly long period of time after the launch of the HE deo, when do we see a more sort of well diversified bouquet of male grooming products?

Mohan Goenka: See more products would come under Fair and Handsome and it is not been very long. HE is also is just about two, three years old brand. We tried a waterless face wash under the brand HE but at this point of time, it is more focus still on the deo market, it is a very large market and we would mostly expand as far as Fair and Handsome is concerned. We have to leverage that brand under that we launched a premium product called Laser 12 that is also doing well. So now as I said that all the other parameters are back on track if with increased focus on our marketing side I think we can get back to the growth area.

Percy Panthaki: But Sir Fair and Handsome do not you think that is a inherent limitation there that mainly will just target the fairness platform and how will you have a really diversified male grooming play through that brand?

Mohan Goenka: That you leave it on marketers. I am sure we are thinking something. So we have to leverage the brand, Fair and Handsome. Once the brand comes out, you will come to know.

- Percy Panthaki:** Okay Sir, thanks and that is all from me. Thanks.
- Mohan Goenka:** Thank you.
- Moderator:** The next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Thanks for the opportunity and first of all congratulations on great numbers. Sir in terms of your new launch and in the Zandu Diabrishta, can you give some sense on how big is the market and what is the opportunity size there?
- Mohan Goenka:** Unfortunately I do not know what is, we know that there how many consumers are there were suffering from diabetes. So it is not an organized market where we get data. So it would be definitely a slow starter not that because we cannot advertise these products but with word of mouth and with consumers getting benefit, I am sure the ayurvedic doctors would recommend it. And it is quite a word of mouth because millions and millions of consumers are suffering and they are looking for alternate medicines.
- Kunal Bhatia:** Okay and Sir also in your starting comments you mentioned you have been investing a lot on healthcare R&D. So currently out of the healthcare portfolio what percentage of our sales would actually be invested on R&D and what kind of if you could give some sense on the product pipeline which you are working with?
- Mohan Goenka:** So in terms of percentage of R&D spends it would always be low that would be insignificant and you very well know, we cannot disclose the product we are working on.
- Kunal Bhatia:** Okay, alright fine Sir, I will come back in the queue.
- Moderator:** Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan. Please go ahead.
- Kaustubh P:** Good morning Sir, thanks for giving us the opportunity and congrats for good volume growth. Sir my question is on margins. In one of the earlier questions, you mentioned that you would be maintaining the margins and if there is increase in the input prices, you will look to cut the prices because you have already taken the price increase for the year. So this quarter we have seen advertisement spends coming down on Y-o-Y basis. So Ad spends is something which you are looking to reduce and you have not given any clear thoughts on what will be your anvil program going ahead. So is advertisement is one area where you will be looking to reduce cost or there are some other projects you are running where you can see operating benefits coming in?

- Rajesh Sharma:** Yes, it is more from the other projects actually, there would be some operating benefits.
- Mohan Goenka:** Advertising is the last thing that we could cut that is not the idea and at this point of time I am not seeing... of course there is pressure on the input side but the 4% price increase that should more or less take care of the gross margin. If there is further increase in prices then of course there may be some tweak in other operating costs.
- Kaustubh P:** And Sir can you throw some light on your distribution strategy how big is your reach right now and for FY19-20, what would be your distribution expansion strategy?
- Mohan Goenka:** So our distribution expansion is by and large done we have reached to 8.5 lakh retail outlet that was our target set, we have given handheld devices to all our 2000 sales force. So there is some work to be done as far as IT is concerned that is work-in-progress but by and large distribution side is done. Modern trade is doing exceedingly well. We wanted to reach to 7%-8% we are reaching there, reduced dependency on the wholesale that is also coming down gradually, so I think we are on the right track.
- Kaustubh P:** And Sir one last, are you going for any major capex this year any facility coming up.....?
- Mohan Goenka:** There are no major capex, we are also done with our capex.
- Kaustubh P:** Also what could be your capex for FY19?
- Mohan Goenka:** It would be max about 80 to 100 Crores.
- Kaustubh P:** Okay thank you.
- Moderator:** Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Hi thanks for the opportunity Mohanji Rajeshji. Sir you rightly mentioned that the healthcare division go-to market strategy is slightly different from our conventional strategy but we have a couple of listed entities in the space especially in diabetes and all where they have struggled to wait for this word of mouth advocacy to actually give scale and now they are also reaching out through advocacy route especially through doctors where they have setup a team to reach out to doctors and then trying to push the products through prescription. So I remember we had initiated some action on this account two years back in South India so are we done with it or we have aborted that plan?

- Mohan Goenka:** No that plan is gone, we have aborted long back almost a year back. From there we got some learnings and that is how we have now launched. So these are big opportunities of course very fragmented it takes time to establish these markets, consumers also do not immediately go and buy products for diabetes or for sleep or for stress or for any of these ailments, but from those learnings we are launching products one by one, we have a good pipeline I think in healthcare.
- Tejas Shah:** And Sir healthcare by default will have high exposure to chemist division so are we putting more feet on street for that segment?
- Mohan Goenka:** No we are already done, as I said we are from the healthcare division, we already reached to 125,000 medical outlets and this is a good reach, we are not expanding there anymore.
- Participant:** Sure. That is it from my side Sir and all the best.
- Moderator:** Thank you. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha:** Yes, thanks for the opportunity Sir. Sir just wanted to understand what are the cost saving initiatives which you have undertaken under which area and is it more to do with the GST regime?
- Mohan Goenka:** Yes, so supply chain is a big area and EY is doing a big project on that side. There we see some amount of saving. Of course there are some other consultants also who are working on three, four other projects, so I think it should entail some benefits in the next six to eight quarters.
- Amit Sinha:** Sir any quantification you would like to do I mean how much you would have been saving in the last let us say few years and how much are you targeting now?
- Rajesh Sharma:** This is a very specific question I do not think it is wise for me to answer.
- Mohan Goenka:** But as I said broadly we will be able to maintain our margins despite of high input cost.
- Amit Sinha:** Yes, so I mean the savings initiatives would ramp up significantly let us say compared to last three years right I mean that is the message which you are giving?
- Rajesh Sharma:** Yes, despite reducing our A&P we will not reduce our A&P.

- Mohan Goenka:** We try to not reduce our A&P.
- Amit Sinha:** Right I mean so A&P we should take it broadly in line with what you did last year ...?
- Mohan Goenka:** Yes, absolutely.
- Amit Sinha:** Okay Sir, that is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities. Please go ahead.
- Binoy Jariwala:** Thank you for the opportunity. I have some questions on Kesh King, just to understand a bit more better, what could be the urban rural mix for this brand as on date? And likewise when we acquired Kesh King it had a gross margin of about 75% and EBITDA margin of something like 40%-45%, does it still hold through?
- Rajesh Sharma:** Yes, the margins have not changed. The margins are still the same.
- Binoy Jariwala:** Okay and how would be the wholesale channel salient specifically for Kesh King?
- Mohan Goenka:** The wholesale still is about 70% to 75% as far as Kesh King is concerned.
- Binoy Jariwala:** Okay Sir which means that it has not moved drastically since we took over the brand and made some changes in the trade, how do we go about on this front because the wholesale essentially has been the main pain point right in the brand apart from competitive pressures that happened in between?
- Mohan Goenka:** So it takes time because it is a big brand and we cannot take all steps at one time, okay the brand were also struggling because of competitive intensity and many other factors so we cannot reduce wholesale discounts and all those to increase it in the retail side but now that we are re-launching the brand we will take steps gradually and as I said now that the wholesale is also back on track why should we bother too much about it. Let it happen in normal course only.
- Binoy Jariwala:** Okay. And does the brand has urban, rural, so does it have a very large salients within the rural segment or how ...?
- Mohan Goenka:** Yes, it sells more in the rural areas.

- Binoy Jariwala:** Which is you mean to say more than 50% of sales would come from rural?
- Rajesh Sharma:** Yes, surely.
- Binoy Jariwala:** Okay. Sir a couple of days back there was a news article which mentioned that we plan to foray in Iran and at the same time we are planning to scale up the middle-east geographies, you could share some thoughts on that what are our plans how do we plan to foray, you talked about engaging in some local partner for manufacturing setup etc., so...?
- Mohan Goenka:** Manufacturing is not that immediately we are looking at any manufacturing in those countries but yes Iran is a big market and we are looking for a partner there, mostly for distribution.
- Binoy Jariwala:** And would you be exporting or would...?
- Mohan Goenka:** Exporting.
- Binoy Jariwala:** Okay and any specific brands that we are targeting for that market?
- Mohan Goenka:** The brands would be the same Navratna, Fair and Handsome these are big brands, what sells in middle-east also.
- Binoy Jariwala:** Okay. And Sir last question is on the healthcare range, does the wholesale channel salients in healthcare still is about 50% to 60%?
- Mohan Goenka:** Yes as far as specific healthcare is concerned yes, wholesale contribution is high.
- Binoy Jariwala:** And would Pancharishta be about, how much contribution would Pancharishta contribute to within the healthcare range?
- Mohan Goenka:** Pancharishta is almost about 40%.
- Binoy Jariwala:** 40% of healthcare.
- Mohan Goenka:** Yes.
- Binoy Jariwala:** Okay, thank you so much. That is it from my side.

- Moderator:** Thank you. The next question is from the line of Amnish Agarwal from Prabhudas Liladhar. Please go ahead.
- Amnish Agarwal:** Hi Mohanji couple of questions. Sir other income during the quarter has taken a beating sharply, any particular reason why other income is down by nearly 70%?
- Rajesh Sharma:** Last year there was exceptional Forex gain and this quarter there has been some Forex loss.
- Amnish Agarwal:** Okay. Secondly as Mohanji said that our wholesale dependence is coming down and we have expanded the reach to 8.5 lakh so can you quantify how much is our wholesale dependence as a part of top-line?
- Mohan Goenka:** Now it is about 40%. This quarter it was about 40%.
- Amnish Agarwal:** Okay in Q-o-Q, it has come down?
- Rajesh Sharma:** The last quarter it was 38% because it is on the product mix actually it keeps on changing a little bit.
- Amnish Agarwal:** Okay understood. And finally Sir, there is some input cost inflation in particularly in mentha and you are indicating that you will be able to maintain margin, so have we already taken the price increases and what is our strategy on input cost inflation going forward?
- Mohan Goenka:** Yes, so we have already taken price increase as I said about 4% that should take care of the input side but if further prices go up, then we will evaluate at that point of time.
- Amnish Agarwal:** And Sir this 4% increase is on the total portfolio or in select product?
- Mohan Goenka:** No of course in select product so it would vary, some product it could be 6% some product it could be 3% depending on the market.
- Amnish Agarwal:** Okay so 4 is on the entire portfolio?
- Mohan Goenka:** Entire portfolio.
- Mohan Goenka:** Yes, average.
- Amnish Agarwal:** Okay Sir thanks a lot.

Emami Limited
August 02, 2018

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Percy Panthaki for closing comments.

Percy Panthaki: Thanks everyone for joining this call, I will handover to Rajesh for his closing comments.

Rajesh Sharma: Thank you Percy. We thank all the participants for participating in this call. Thank you IIFL for arranging the call for us. Thank you.

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