



emami* limited

20th November, 2020

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

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

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

Dear Sirs,

Sub: Transcription of Earnings conference call held on 6th November, 2020

With reference to our letter dated 22nd October, 2020 regarding Earnings Conference Call, post declaration of Unaudited Financial Results of the Company for the Second Quarter and Half Year ended 30th September, 2020 at the Board Meeting held on 5th November, 2020, 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 faithfully,

For Emami Limited,

A. K. Joshi

Company Secretary & VP-Legal

Encl.: As above



“Emami Limited Q2 FY2021
Earnings Conference Call”

November 06, 2020



ANALYST: MR. PERCY PANTHAKI – IIFL CAPITAL LIMITED

MANAGEMENT: MR. MOHAN GOENKA – DIRECTOR - EMAMI LIMITED
MR. RAJESH SHARMA – SR. VICE PRESIDENT, FINANCE
& IR - EMAMI LIMITED



Emami Limited
November 06, 2020

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2021 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: Good morning everybody. Welcome to the Emami results call. After the pandemic a lot of FMCG companies are reporting good numbers this quarter and Emami no exception certainly the numbers this time have been quite robust and to take you through what is happening in the business we have with us Mr. Mohan Goenka Director and Mr. Rajesh Sharma, Sr. VP, Finance & IR. So without ado, over to you Mohan ji.

Mohan Goenka: Good morning friends. I welcome you all to this conference call on Emami results for the second quarter and first half year ended September 30, 2020. I hope all of you and your loved ones are safe and healthy. I am very happy to inform you that this quarter has been very positive and witnessed an all round growth. Emami's performance has been very strong resulting in double digit volume led revenue growth and improved margins in Q2 FY2021. Notwithstanding the fact that our plants were not operational for over 20 days disrupting the supply chain, Emami has registered strong growth, which the company expects to sustain in the coming quarters too.

The quarter witnessed a revival of consumer sentiment which is evident from the company's performance across brands. The domestic business grew strongly by 13% with volume growth of 10% due to sustained momentum not only in the health and hygiene segment, but also due to robust performance in most of our other our power brands. As a result, Emami posted a strong 28% growth in the domestic business in this quarter excluding the winter portfolio. Offtakes of our winter portfolio were impacted due to the high base of 39% growth in Q2 FY2020 due to the early pipeline filling last year. We do believe that BoroPlus is a phasing issue and as the winter sets in the brand is expected to do well in the current quarter. Despite the winter facing and supply chain issues in Q2 impacting some primary numbers, Emami performed exceedingly well with joining of our new sales head and healthcare division had earlier this year we had a strong team in place to take the growth momentum forward.



Emami Limited
November 06, 2020

Zandu healthcare range continued its growth momentum across products and grew by 53%. Pain management range grew by 31%, Kesh King grew by 45% and Navratna grew by 14%, however as I mentioned earlier, BoroPlus range declined by 25% and male grooming range declined by 24%. I must impress upon the performance of Kesh King which stands out strongly. Kesh King has posted a robust performance during the quarter registering its highest ever sales during a quarter since its acquisition by Emami in June 2015. We are happy that Kesh King has proved its mettle by its strong performance. We are also extremely optimistic about sustaining Kesh King's performance in the future as well despite the muted consumer sentiments towards premium products in this environment.

Further the balms portfolio too registered an all time high quarterly sales in Q2 FY2021. Fair & Handsome which declined during the quarter has been making sequential recovery since August. The brand is being relaunched in the market, in new packaging as Fair & Handsome radiance cream and Fair & Handsome instant radiance face wash.

During the quarter, rural markets continued to perform better than the urban aided by relatively lower impact of the pandemic. All the channels posted convincing growth with e-commerce channel tripling its revenue during the quarter. Modern trade which was impacted due to social distancing norms in the first quarter has bounced back during the quarter registering a growth of 9% in this quarter.

While it took us along with everyone a while to adapt and address to the new normal and find the strategy to battle this pandemic, Emami launched 20 new products in the domestic market with more than 40 SKUs including eight new launches in Q2 FY2021. The overall contribution to the domestic revenues during the quarter was 4%. For the international business too, we launched 13 new products in first half FY2021. With continued focus on the health and hygiene segment, the company continued to launch innovative products during the quarter. The company launched Zandu ImmU jelly, the company also launched BoroPlus antiseptic plus moisturizing hand wash and Zandu Amla, Aloe Vera and Karela Jamun health juices among other.

In this context, I must mention about our very own e-commerce portal www.zanducare.com which was launched during this quarter as a brand store for Zandu healthcare product. The portal has been well accepted and caters to the e-com audience with existing as well as newly launched multiple e-com specific products.

During the quarter international business grew by 11% led by Bangladesh and MENAP. I am pleased to inform you that 7 Oils in One has become the largest selling brand for us in



Emami Limited
November 06, 2020

the international business. We have launched seven new variants of the brand in the past few quarters and its popularity has increased significantly in Bangladesh since it is ongoing media campaign with a local celebrity. We also introduced hygiene range for international business as well which is doing well. Our CSD business, however, declined marginally by 2% during the quarter.

In this quarter, Emami increased its profit as well as margins. Gross margins at 70.3% which are an all time high grew by 60-basis points, EBITDA at Rs.257 Crores grew by 33% while EBITDA margins at 35% grew by 570-basis points. Cash profit at Rs.233 Crores increased by 31% and cash profit margin at 31.7% increased by 480-basis points. This was possible due to stringent cost control measures and benign raw material prices which helped improve the margins. I am also pleased to inform that the board of directors have declared an interim dividend of 400% that is Rs.4 per share.

Emami now has the war chest of going products and the momentum of growth and recovery that was witnessed from May 2020 onwards has now culminated in posting very positive numbers by not one or two brands only, but almost all the brands put together. Fair & Handsome which was degrowing is also on sequential recovery mode. This is an extremely encouraging development for us at Emami and we are confident of taking this momentum forward. As mentioned in my address during the last quarter about our proposed entry into the home and hygiene segment, we are now ready to roll out this range nationally in the phased manner post Diwali. We are looking forward to the launch as a segment offers vast potential and has become rather exciting in the current scenario.

With the restrictions of the lockdown easing, we continued to maintain a positive outlook for the coming quarters provided the ongoing health crisis does not escalate further and economic activities revises steadily. Since the last week winter has set in the northern and the eastern parts of India and the demand for winter portfolio has already picked up. Given that the medium term potential of the franchise remain firmly intact, we believe the company is on track to delivery sustained profitable, volume led growth through focus on strengthening the franchise in the core categories and driving the new engines of growth toward gaining critical mass. With this brief, I now open the Q&A. Thank you very much.

Moderator:

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

Abnish Roy:

Congrats for good performance. My first question is after two years we have seen very good growth come back, this quarter we have seen companies like Nestle, Dabur and even



Emami Limited
November 06, 2020

Britannia earlier quarter announced capacity expansion program, I understand for you it might be a bit early, but just to get a sense across your categories what is the capacity utilization constraint building up wherever it is building up in the next two years if you could highlight?

Mohan Goenka: Abnish, as of now we have enough capacities barring one or two brands for which of course we are increasing our capacity, but at a overall level, our capacity utilization is about 70%, we still have at least two to three years left to fully utilize the capacities.

Abnish Roy: My second question is on e-commerce, e-commerce normally own portal normally seen as a loss making business, in your case currently short term offer, there is no minimum size, free delivery etc., so want to understand if picks up a lot how would you handle the losses, is there any loss number you have put here or you think this may not have much footfalls, it is more from marketing, more for the brand details etc., to the consumer, so could you discuss that?

Mohan Goenka: As we all know that the future lies in e-com and everyone has to invest behind this new channel or this new distribution network, so we have also taken up launch, we have built a very solid team behind this e-com and in the last 40, 45 days we have seen a very big sales coming, not very big in the sense good amount of sales coming from the portal, so we have seen almost 10 lakh visitors have visited this Zandu portal, so of course there is investment budget, the losses are not very big what we have anticipated if the sales continue to rise, the margins are pretty high even the brands that we are selling through the portal, so I think going forward in the next three to four quarters it should be profitable.

Abnish Roy: In 10 lakh, how many orders you got, how are you handling the delivery which third party warehouse or delivery partner you have?

Mohan Goenka: We have a third party delivery system and of course we are delivering it now for free, because it is an initial disadvantage we are giving it to the customers. Let us see I think we are quite bullish as I said we have an exclusive head for e-com for this portal, we have a big team, we have recruited very recently and as I said in the last 40, 45 days we have seen a big jump through this e-com.

Abnish Roy: One last followup on e-com, would there be any dissonance pushback, because it is their own e-commerce, would there be pushback from your Kirana guys or even other e-commerce company, will you do pure e-commerce product if what you have already launched?



Emami Limited
November 06, 2020

Mohan Goenka: We are doing exclusive products only for this portal, which are not available in our general market.

Abnish Roy: You do not think any dissonance with Kirana will be there?

Mohan Goenka: I do not think so.

Abnish Roy: And last question, Kesh King range any specific intervention you have done any specific promotions, CBs, extra grammage free, what is driving this 45% because if four years nothing happened, not this kind of growth happen, obviously 45%, no Indian FMCG is growing at 45%, if you can elaborate what you have done at the promotions level?

Mohan Goenka: Not that we have increased exponential promotion in Kesh King over the last again two months we have seen sustained growth in Kesh King and the feedback we have got from the market is that some of the local players and even some of the other large companies, we have gained share from them, I do not want to name the brands, but it is a mix of big companies and small companies, both have got hit.

Abnish Roy: How much non-hair oil in this, this growth how much is non-hair oil?

Mohan Goenka: Both have equal growth, both the shampoo and the hair oil have equal growth.

Abnish Roy: And shampoo will be about 10% of the portfolio?

Mohan Goenka: Shampoo is about 20% of the portfolio

Abnish Roy: That is all from me. Thanks a lot and all the best.

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

Manoj Menon: Mohan ji and Rajesh ji extremely pleasing to see the broad base performance, congratulations to you and team for that that is the most important. I have few questions actually. Couple of them was touched upon the Abnish, but just a little more detail, on Kesh King, some colour on the segment growth, while I completely understood and logic that this one large player and market share gains which is accruing currently probably that would have started a few quarters back itself from a trajectory point of view, but some colour on adoption because you are one of this large players within that premium segment with the



Emami Limited
November 06, 2020

job of developed in the segment as well, so I am just trying to see how sustainability into two, three, four years into the real medium term?

Mohan Goenka:

Manoj, it would be difficult for me to really say what is the kind of shift that has happened, because as I said demand for Kesh King has come in the last two months and it continues even in the month of October where we have seen ever highest number for Kesh King, so as I said the market has said that some of the local players have been badly hit in this particular category and also the likes of Patanjali what we have heard from the market and even some bit of Indulekha, we have gained some share from these two players. So we would have to see that how long this momentum continues, but as of now there is a huge traction from the rural markets is what we see. Actually we have not been subscribing to Nielsen data in this year, so we really do not know what is the shift in the market share, but at least what the number says there should be a significant shift in the market share numbers. Continuously day on day basis, we are seeing a good traction for the brand somehow.

Manoj Menon:

Secondly on the channels, the modern trade growth is very pleasing to see given the headwinds which you like any other player would have actually faced in the market, some colour on the modern trade growth, is it more to do with the geographical mix of your modern trade exposure, is it addition of any new player that is one. Secondly on the channel itself, I recall discussing with you quite a few years back on e-commerce and may be you were mentioning that some packaging innovations and structural changes, some colour on what is happening in modern trade currently and beyond recruiting a new e-commerce head anything else, any new tie-ups again something to just look at the medium term on how the e-com trajectory for you should look like?

Mohan Goenka:

Both for modern trade and e-com, we have launched a lot of new SKUs only focusing for these channels in each of these brands, we have launched like 600 ml lotion or 500 ml 7 Oils in One or even 100 g of face wash soap for a very specific SKUs have been launched for both e-com and modern trade. Also the new launches that we have done has shown good traction in modern trade particularly DMart is what we have seen. Even big size of balms has done very well in DMart and some of the other format like 50 g of Zandu Balm we have done exceedingly well in some of the modern trade format. Some very specific promotions have been run for some of the channels which have led to this growth. We still see a lot of headroom particularly in e-com because we are still at just 2.2% of our sales in e-com whereas others are at 5% to 6%, so with the new team in place with tie-ups with almost everyone in place, we think it can further go up to about 3% and then to 4%.



Emami Limited
November 06, 2020

Manoj Menon: Understood in fact I would reckon the targets could be even higher given that largely a personal care and specialized company and couple of book keeping questions, actually only one rather, I saw a line somewhere in the presentation but still anything to call out on primary versus secondary?

Mohan Goenka: Primary and secondaries are more or less the same in this quarter, but on an overall level, our secondary sales have been higher in the first half.

Manoj Menon: How do we look at that is it something which is a new equilibrium or would you think you would be going back to the previous levels over the next year?

Mohan Goenka: In the sense sorry Manoj...

Manoj Menon: For example, your secondaries have grown faster which means your channel inventory is lower today, so is this a new equilibrium the way you are seeing for better ROIs in the channel or is there an opportunity to have more primaries in the next six months to one year?

Mohan Goenka: We would love to maintain this hygiene at the distributor level, currently as of now our distributors holding stock is about 15 days which you remember had gone up to almost 20 to 30 days, so we would not want to fill up the channel unnecessarily.

Manoj Menon: Last one question, one comment which I heard from particularly unlisted companies in the sector was that yes, new product launches is a necessity at least in some segments currently, but many of them commented about the difficulty in actually placing the products because the retail is not really doing those offtakes and second is even from a consumer's browsing ability or willingness point of view, it is also constraint currently, what has been your experience on the new products, the full throughput?

Mohan Goenka: We have good clout in Kirana and the chemist outlets, so we have not found much difficulty in placing the new products, because all the new products are mostly brand extensions in BoroPlus and BoroPlus has fairly good equity, so we have not found that challenge to be very honest.

Manoj Menon: Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Arnav Mitra from Credit Suisse. Please go ahead.



Emami Limited
November 06, 2020

Arnav Mitra: Congratulations on a very good performance. My first question was on the healthcare business this includes the OTC as well as the balm, so you have seen the traction continuing very strongly in Q2, now as the COVID fear kind of goes down which we have seen, are you seeing the traction kind of starting to go above, are you seeing still very high demand for this product and especially in the non-balm portfolio if you could highlight some products which you think is a very potential when you are seeing a scope of permanent reset in the category sizes including things like Chyawanprash is a very small player, so any thoughts on his overall sustainability of the healthcare?

Mohan Goenka: As we speak Arnav, we are still seeing strong momentum for the entire healthcare range including the balms, even the month of October and the first five days of November have gone well for the entire healthcare range. I really do not know if the momentum would fall off once the pandemic is over because balms or Pancharishta or any of these products have always been in existence and the needs for this product could always rise, consumers who are using this products, the amount of new consumers we have gained in the last four, five months I do not see any reason why they should go back to their earlier medications, this is one. Chyawanprash has been doing well in this healthcare range plus some of the new launches that we have done whether it is in the juices or the ImmU jelly, we would have to wait and watch Arnav, how these perform, because these are absolutely new launches that we have done in the last two, three months, but as of now retailers are very excited to keep this products, we are also advertising some of the products, Pancharishta has also grown almost 24% in this quarter, so overall I think we are very confident that the healthcare still has a lot of headroom to grow honestly, we should not feel complacent that we are going at 30%, 40%, this was long overdue and I think still there is room to grow.

Arnav Mitra: And just one related question on Chyawanprash given that it is a large category already with the healthcare and it is also seeing growth so we know there is one large player, do you see this is an opportunity to set yourself as a number two player in this category in the long term or do you think because this already has a very large player, it is better for you to put your efforts and other segments where possibly there is no strong players currently in the healthcare space and anything specific you are doing to kind of capitalized on this opportunity that seems to be coming?

Mohan Goenka: Definitely we will take all our efforts to ensure that our Chyawanprash range grows, in this quarter we have done almost more than three times just in Chyawanprash, so let us see now the peak season started, we have got an aggressive number for Chyawanprash even for the third quarter which is the peak quarter so definitely we would be a good challenger, we are spending a good amount of money to ensure that it becomes a large brand for us and



Emami Limited
November 06, 2020

because of the Zandu brand name, there is good traction in Zandu Kesari Jivan and Zandu sugar free Chyawanprash also.

Arnav Mitra: My second question was on the BoroPlus, Sir you mentioned that and I think H1 also mentioned in the call the pipeline delay which has happened this time, so has the pipeline happened in October, what would have expected to happen in September or it is going to happen almost along with the offtake which possibly will now pickup due to the winter?

Mohan Goenka: This is a heartening Arnav that in the last seven, eight days, we have seen a good amount of pipeline filling happening for the entire winter range, so we had expected this would happen post Diwali, but because the winter is set in very well in the entire northern and the eastern part of the country, so we are seeing a good demand for all winter products. This has happened in the last seven, eight days.

Arnav Mitra: My last question is on the margin, you are seeing this reduction in staff cost say about 100-basis point other expenses have gone down, so what part of this is something which you can sustain which has come out of your cost saving plan and what part of this could be transient as business kind of normalizes cost will come back in that part of the equation?

Mohan Goenka: Most of it is sustainable because you remember we had done project with ATK which is still ongoing on "War on Waste", so with that whatever benefits we are getting would be sustained, the only thing what would increase is honestly the travel cost, because travel cost is still very, very minimal which is not very large, so there should be some room of margin expansion, because sales is also growing and staff cost also be at least 100-basis points there should be reduction in the staff cost expenses and even in the administrative cost because of the cost reduction measures that have been taken those are quite sustainable.

Arnav Mitra: Thanks that is it from my side. All the best.

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

Harit Kapoor: Good afternoon. I just had a couple of questions. One was on the sales and distribution side, you mentioned in your remarks that you had new sales head come in about six, seven months back, just wanted to know any initiatives efforts which you could call out specifically on the sales and distribution part which were done over the last few months, which are bearing fruit?



Emami Limited
November 06, 2020

Mohan Goenka: We are an ongoing concern, we do not change too many things, but of course there is stability at the top, which brings in a lot of confidence at the zonal manager and the area manager level, but what has happened is that because rural has always been a strong hold for Emami and we also have a strong presence in the wholesale, so with it some bit of extra initiative both for rural and wholesale which really gave us this growth, so we tweak some of the incentives particularly for these two channels.

Harit Kapoor: Got it and just followup on that, what is your wholesale contribution as we speak, it has come down over the last few years, but what is your wholesale contribution now and do you see that now being largely stable that the channels are more or less stabilized now?

Mohan Goenka: We are still seeing growth coming in from the wholesale markets and retail still declining even in this quarter wholesale grow by 21% whereas retail degrew by 14%, so the contribution from wholesale which had come down to 38% I think now have gone up to about 44%, 45%.

Harit Kapoor: My second question was on the advertisement spend part, you have done 20 new launches in the first half, eight in the second half, I just wanted to know that the ad spend growth obviously this quarter is just about 3% so is there a function of this having lower media rate, but actually doing more volume spend and also whether this should see a material exploration going forward given that you have this pipeline and putting out new products?

Mohan Goenka: We have got some advantage of the media rates in the first half which would continue also in the second half, but yes we have taken an aggressive budget for our new launches particularly in the second half that should increase our advertising cost by about 200-basis points.

Harit Kapoor: 200-basis points for the second half for advertising?

Mohan Goenka: Yes, but despite of that because of the other cost benefits, benign raw material cost, we still see margin expansion going forward. It depends on the product mix, the high contribution or high margin brands have taken up very well particularly the Kesh King range, the balm range even BoroPlus is the peak season, Navratna, Fair & Handsome also has taken off in the last two months, so due to the product mix the margins are not under pressure.

Harit Kapoor: The last question was on the amortization part, so what is the change in accounting and do we expect this Rs.90 Crores odd a quarter number now to continue going forward is that the number we should take?



Emami Limited
November 06, 2020

- Rajesh Sharma:** We have changed the life of the intangible assets from 10 years to 7 years this quarter and going forward roughly Rs.55 Crores odd should be the amortization every quarter, so this Kesh King would now get completely amortized by June 2022 against June 2025 which was envisaged earlier.
- Harit Kapoor:** From next quarter it is Rs.55 Crores and goes up to June 2022?
- Rajesh Sharma:** And post that we would be left with an another intangible asset, which is a very small one, so that would continue for another four years.
- Harit Kapoor:** Okay and how much is the quantum of that will it be very small right?
- Rajesh Sharma:** Very small around Rs.15 Crores per annum.
- Harit Kapoor:** That is it from me. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Congrats on a good set of numbers. if you look at the current crisis, it is slightly from a trade flow channel mix perspective, it is opposite to demonetization when GT is gaining market share versus modern trade and we have been historically under represented within modern trade versus GT, so do you believe that we are beneficiary of this tailwind and once modern trade bounces back perhaps we will do some of this momentum?
- Mohan Goenka:** I do not feel so, because now our modern trade contribution is also about 8%, 9% and we have very specific SKUs now launched for modern trade, so where we are seeing very good traction for most of our new launched SKUs and even the home hygiene range or even the new BoroPlus hygiene range that we have launched in modern trade it has seen good traction, so I do not see once everything becomes normal that we would see any difficulty coming in from modern trade.
- Tejas Shah:** Second Mohan ji, you spoke about War on Waste and gross margin benefit also continuing with us for sometime, so what is the new margin bend will like to upgrade with then what will be the re-investment which you will like to put in the brands coming out of these events?
- Mohan Goenka:** What the margin looks like, I think EBITDA margin should be in the range of 30% or so that is what it looks like for now and we are aggressive as I said on the new launches and



Emami Limited
November 06, 2020

also investment on the new launches, we are increasing our expenditures, so we would have to wait and watch, how the new products fare, but of course we are committed to invest behind new launches.

Tejas Shah: Last question on digital marketing strategy and it is partly a feedback also, so many food bloggers have hailed Zandu honey is the authentic honey and they put certificate of an MR C3, C4 test versus other brands, but somehow in our communication we are not as aggressive and capitalizing the same, so any reason there?

Mohan Goenka: We have tried it in the past now we are taking honey and chyawanprash both the portfolios aggressively the season for honey has also now started and we have taken aggressive budgets for this quarter for honey. Let us see how it does.

Tejas Shah: That is all from my side. All the best.

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

Prakash Kapadia: Most of my questions have been answered. I had just one question. How is healthcare specifically in Vigorex and Nityam historically we have seen Pancharisht, Vigorex and Nityam be large part of our sales, so market expanding in terms of some of the new consumers buying these products or it repeat sales and what is the sustainability of this, somebody was asking post pandemic settling, how are things happening on that front?

Mohan Goenka: Nityam and Vigorex have not done so well in this quarter as compared to some of the other healthcare range. Nityam we see a bounceback coming in, but Vigorex, yes we are putting much effort on Vigorex now, but what is heartening to notice is the bounceback of Pancharishta I mentioned we have grown at 25% and this growth momentum continues in the month of October also.

Prakash Kapadia: These are in a more of newer consumers or this is repeat purchase has given the growth or the new campaign?

Mohan Goenka: This growth came in after the new Amitabh campaign that we launched for Pancharishta and definitely we are seeing a new set of consumers coming in. We also changed from glass bottle to pet bottle which led to some distribution expansion in this category.



Emami Limited
November 06, 2020

Prakash Kapadia: On Navratna I think we had done some test marketing on the winter version for warm, so what is the plan, is there a focus to launch it selectively in some states for upcoming winter are we planning awareness about that product, what is the status on that?

Mohan Goenka: That is still on the test market stage, so we would be only doing it in one area to see how is the response then only we will take it nationally.

Prakash Kapadia: That is it from my side. Thank you. All the best.

Moderator: Thank you. The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher. Please go ahead.

Amnish Aggarwal: Congrats on good set of numbers. I have a few questions. My first question is on the healthcare range, we have grown very well during the quarter, now incrementally if we look 4% of the topline from the new launches most of them are in the healthcare range, so out of this Rs.30 Crores of incremental sales, which are the major ones who have contributed to this incremental sales?

Mohan Goenka: Actually most of it is not from the healthcare, most of it come from the hygiene range which is the BoroPlus hygiene range, so almost out of the 4% roughly about 2.6% has come from the BoroPlus hygiene range.

Amnish Aggarwal: Okay and which one of these in particular do you see for example sanitizers and all for example, some of the other players who have already started witnessing the peak end of sales, so which one of these new launches do you think hold really long term potential?

Mohan Goenka: You are right, sanitizer sales have fallen dramatically over the last few months, but BoroPlus, soap, hand wash, Aloe Vera gel and all the other brands they are still showing some momentum, so we will have to wait and see, these are very new launches, we have just done in the last three, four months.

Amnish Aggarwal: Okay and Sir, my second question is on the rural, urban breakup because Emami traditionally has been the company where the rural sales has been higher than most of its peers, so what is the current you can say contribution of rural sales to the total and how has the Emami grown in rural versus urban from previous quarter?

Mohan Goenka: This quarter our urban sales grew by almost 8% whereas rural grew by 20% and contribution from rural has always been higher, traditionally our contribution from rural has



Emami Limited
November 06, 2020

been about 55%, so we still have to check the data, but our estimates shows that it should have gone up by at least 1% or 2%.

Amnish Aggarwal: Okay and Sir my final question is on dividend payouts, every year Emami used to pay around 30% dividend payout, now we have already declared Rs.4 as dividend, now are we looking at the situation where the payouts structurally goes up to in the range of 40% to 50%?

Mohan Goenka: It should be because the company is doing well and the profitability is increasing, we have some war chest so most likely the dividend should be in the range of 40% to 50%.

Amnish Aggarwal: Thanks a lot Sir.

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

Shirish Pardeshi: Good afternoon. Thank you for the opportunity and really heartening performance seeing after long time. I am sure the catch up has happened very quickly and looking at the favorable season which is panning well, so I have few questions. The first question which is most important to me, can you throw some colour on our pledged share and you had guided by March, we will try and reduce as much, is there any further development which has happened and any further scope can happen by December or you can prepone your zero pledge by December?

Mohan Goenka: Presently our pledge is about 40% or so, as we have maintained that our endeavour is to bring it down to zero levels. I do not see that happening by December, but we are on it and once we get rid of some of our other assets, it would all go in reducing our pledge, so we are absolutely committed towards that, but I do not see that happening by December.

Shirish Pardeshi: Okay, thank you. My next question is on the gross margin and you said that this is the first time you had crossed 70% mark, so if I observe there is a lot of tailwinds from the input material, so is there any chance as you have mentioned that we have high contribution with high margin business like Kesh King and BoroPlus which is going to come, so is it fair to say that you are saying 30% range that band, but I directionally see that second half has always been better for you, so is it that something you have been super conservative or you can say that there is still further scope for having a gross margin reaching up to may be 200 to 300-basis point to 72% or 73%?



Emami Limited
November 06, 2020

Mohan Goenka: We would have to see because Q4 normally it is about 67% and with the new disinfectant range or the new range that we are launching, there the margins has slightly lower, so it would depend on the product mix, but we are very confident of at least 70% coming in the gross margins for the year.

Shirish Pardeshi: Just one quick question on the new launches, you had guided that we are getting into floor cleaning, a completely new category, is there any thought it will come up and any update on Fair & Handsome relaunch?

Mohan Goenka: The hygiene range we have already started launching in some of the markets, the brand is Emasol and we would ramp it up post Diwali, because this time is a slightly dull period before Diwali and as far as Fair & Handsome is concerned as I said product has bounced back post August, we are seeing growth coming in the last two, three months, we are re-launching with the new packaging both in face wash and in cream, I am sure that if this momentum continues the brand will see a growth.

Shirish Pardeshi: Just last question from my side, you mentioned that last quarter we have hired a head of business for healthcare range and I think right now we see that the season and opportunity thrown by Corona pandemic is also very large, do you think that this doubling of face can happen in second half, because by now you head of business would have settled, you would have found up the opportunity and the products which you are planning, we are also banking on much more higher sales from chyawanprash range, so tell me something about what are the things which has changed in last four, five months when you have got new business head?

Mohan Goenka: What has happened Shirish is, as I said our focus has been increasingly on the portal which we have launched very successfully that is one thing. Secondly, we have launched lot of products under the healthcare range in the last three, four months which was long due which is also very healthy sign, I am not too sure of doubling the numbers, because chyawanprash has a base now, in the third quarter, so to double the number would be slightly challenging, also Pancharishtha has also in the base, but as we have seen almost 53% growth coming in the healthcare. We see that momentum also in the month of October, so we will have to wait and watch whether it would be 30%, 40% or 50%, but yes as I said there is still a lot of headroom for healthcare to grow and we are very committed to invest behind Zandu that we would have to wait and see.

Shirish Pardeshi: Thank you and all the best.



Emami Limited
November 06, 2020

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

Percy Panthaki: Good morning. Just a question, you remarked that the wholesale business has grown and retail business has actually declined, so just wondering what is the reason that retailers would want to purchase our products from wholesale instead of purchasing it directly?

Mohan Goenka: What has happened Percy is that because we have a strong rural thing, so particularly the rural is covered by the wholesale.

Percy Panthaki: In urban, would wholesale and retail be growing at roughly the same rate?

Mohan Goenka: Because urban as I said we have still grown at 8%, but rural has grown by 20%, because of this pandemic people are unable to cover the retail channels very effectively, all the channels, so whoever are buying mostly buying from the wholesale, but this growth has come because of the demand coming in from the rural areas.

Percy Panthaki: That is all from me.

Moderator: Thank you. The next question is from the line of Amit Sachdeva from HSBC. Please go ahead.

Amit Sachdeva: Thank you so much for taking my question and congratulations for a very good set of numbers. My questions have been answered but just if I may sort of go a little bit deeper into Fair & Handsome and most of male grooming category at large, obviously this period has been of deception and male grooming category has been impacted, but it also gives us time to perhaps rethink positioning of what it could look like for the category, at what band you want to operate in, as this has not done well in the past and Fair & Handsome had its own set of challenges, has the new strategy was being written for that brand for relaunch, is this only the relaunch of the existing products or has some rethinking has been done on brand architecture, what other categories male grooming, you would be entering and which brand would be the main stay, would He would be de-prioritized or how the male grooming as a category looks like not just for next quarter probably next two years from you, how you should think about the structural growth part of it and your play in that area?

Mohan Goenka: Male Grooming has been an important part of Emami, but as you know Fair & Handsome itself are struggling for quite sometime in the last four, five, six quarters, so our first priority is to ensure that Fair & Handsome bounces back, you would also appreciate post pandemic



Emami Limited
November 06, 2020

even pre-pandemic there was lesser demand because of discretionary spends coming down, so this category was always under fed, but as I said over last three months, two months, now sequentially the brand has come back to the growth people are stepping out of their houses, the people have started buying it, so our first priority is absolutely to ensure that Fair & Handsome goes back to what we used to do about six, seven quarters back that is our priority. We are not thinking of too many launches under the male grooming as of now. So two areas we will be focusing is on the cream and on the face wash. We have relaunched the product last month, so let us wait and see how this turns out to be.

Percy Panthaki:

That is very helpful Mohan ji, but what about He, any changes, any plans and...

Mohan Goenka:

There is no season for now, but yes we are not spending too much money behind He as of now.

Percy Panthaki:

Completely understood and in Kesh King if I may ask what SKUs are selling the maximum and any particular SKU or size wise colour which is giving you little bit of more traction in the category, is there something that we should read into this as well like size of SKUs?

Mohan Goenka:

Highest selling SKUs is of course 100 ml, but as I said we also launched 600 ml for the e-com and modern trade which is also be exceedingly well in these two channels.

Percy Panthaki:

There is no LUP wise traction there or how the LUP doing?

Mohan Goenka:

We have just launched the LUP in shampoo that is about two months back, we are yet to see the demand pickup coming in from that SKU.

Percy Panthaki:

Thank you so much Mohan ji and all the best.

Moderator:

Thank you. The next question is from the line of Abnish Roy from Edelweiss. Please go ahead.

Abnish Roy:

Just two followups. In Chyawanprash and may be even honey, you are the challenger brand, you have done really well in Chyawanprash sales, so my question is now edible oil brand has come into both these segments, so would you be worried because normally when a new entrant comes and which is also a strong brand, Saffola is the strong brand and obviously they spend also, normally in such instance the market leader is not impacted, the challenger brand gets impacted, so what could be your quick thoughts whether edible oil can be taken to Chyawanprash and second what would you do to avoid any loss of market



Emami Limited
November 06, 2020

share which anyway is small, you have been trying a lot, but it is a small market share, you have grown but it is a small market share?

Mohan Goenka: I would not be able to comment on how Saffola would do in Chyawanprash, but as I said we also have aggressive plan and Zandu is fairly well known in this Chyawanprash segment, Zandu Kesari Jivan has always been a good brand, but as you rightly said our contribution from Chyawanprash is not even 1.5% of our total sales, whether it goes up to 2% or it stays at 1.5%, it really does not move the needle so much, but we are a established player, I do not see any threat coming in from Marico as of now at least to us.

Abnish Roy: And 7 oils, the growth rate has come off a bit in fact it is lower than obviously Kesh King and even the cooling hair oil, so anything worrying there or it just a case it is not a peak season?

Mohan Goenka: Nothing to worry, October month we have seen bounceback in 7 oil in one also and internationally I said it has already crossed Rs.100 Crores mark in international run rate.

Abnish Roy: Thank you.

Moderator: Thank you. The next question is from the line of Sunita Sachdev from UBI. Please go ahead.

Sunita Sachdev: Congratulations on a good set of numbers. Just wanted to understand what is the status of the rural market, because you said you have obviously grown at 20% which is excellent number, is there any low base on that growth specifically for Mohan and you are just continuing on that where is this growth specifically coming from any particular geography and any changes in the brand mix for rural that do well with the wholesalers except your traditional brand?

Mohan Goenka: Fortunately because of reverse migration and Emami always had a strong foothold in rural through the wholesale, so most of our brands, particularly the pain balm portfolio has done fairly well in the rural markets this time, also we are seeing a good amount of traction coming in the BoroPlus over the last two months coming in from the rural areas, so these are of course the traditional products only, but across the board, particularly the markets of UP, MP, the Hindi Belt we have seen good amount of traction coming in the rural markets. South also for us has done exceedingly well for rural particularly in the pain balm where our penetration levels have really increased in Maharashtra and in south, so it has been an all round performance.



Emami Limited
November 06, 2020

Sunita Sachdev: Anything from the new launches or new extension that you would like to call out that are doing well in rural?

Mohan Goenka: We have not reached out to the rural areas as far as new launches are concerned, we are still focusing quite on the urban market.

Sunita Sachdev: And is there any downgrade visible in either pack sizes or vice versa is there any upgrade visible in rural?

Mohan Goenka: Not really Kesh King has done very well in rural markets, particularly in the north and which is honestly surprising suddenly how this demand for Kesh King and as I said some new SKUs have been launched in modern trade, big size SKUs have been launched in e-com and modern trade, which have also contributed to the growth of all of these brands.

Sunita Sachdev: Are you confident about the rural growth sustaining at these higher levels?

Mohan Goenka: As of now it looks like Sunita that for us because month of October and even now winter had set in very well, we are seeing a very good demand coming into be very honest.

Sunita Sachdev: Good to hear that Sir and other side very good to see you a new launches under Zandu this is something which you wanted to do, so all the best for that venture and all the best for the winter also Sir.

Moderator: Thank you. That was the last question for the day. I would now like to hand the conference over to the management for closing comments.

Mohan Goenka: Thank you Percy. Thank you all the participants and thank you IIFL for arranging the call for us. Thank you. Have a good day and stay healthy.

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

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