



emami* limited

Feb 4, 2017

To,
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 Sirs,

Sub: Transcript of Investor's Conference Call held on 30th January, 2017

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing obligations and disclosure Requirements) Regulations, 2015, we are enclosing herewith copy of the Transcript of Investor's Conference Call held on 30th January, 2017 (Monday), subsequent to declaration of Financial Results of the company for the Third quarter and Nine Months ended 31st December, 2016

This is for your information and record.

Thanking You,

Yours faithfully,
For Emami Limited,

Balwan Sankar
Authorised Signatory



“Emami Limited Q3 FY2017 Earnings Conference Call”

January 30, 2017



ANANDRATHI



**ANALYST: MR. AJAY THAKUR - ANAND RATHI SHARES AND
STOCK BROKERS LIMITED**

**MANAGEMENT: MR. MOHAN GOENKA – DIRECTOR – EMAMI LIMITED
MR. RAJESH SHARMA – SENIOR VP, FINANCE AND
INVESTOR RELATIONS – EMAMI LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Emami Limited Q3 FY2017 earnings conference call hosted by Anand Rathi Share and Stock Brokers. 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. In case 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. Ajay Thakur. Thank you and over to you Sir!

Ajay Thakur: Hello friends. Good afternoon and welcome to 3Q FY2017 results conference call hosted by Anand Rathi for Emami Limited. From the company side, we have with us Mr. Mohan Goenka – Director, and Mr. Rajesh Sharma – Senior VP, Finance and Investor Relations. We shall begin with a brief on Q3 FY2017 results and after that I shall pass it over to Mr. Goenka Ji for question and answer session. Over to you Sir!

Mohan Goenka: Thank you Ajay. Very good evening friends. I welcome you all to this conference call on Emami results for third quarter and nine months ended December 31, 2016.

Emami posted a resilient performance in its domestic business during the quarter despite depressed market conditions. Demand decelerated due to liquidity crunch faced by consumers. There was a reduction in discretionary spends that consumers spending mostly on the essentials.

Under such challenging market conditions our domestic revenue grew by 3% during the quarter with volume growth of 0.2%. In nine months the domestic business grew by 12% with volume growth of 8.9%. Winter brands performed well during this quarter. Boroplus antiseptic cream grew by 13%, Petroleum Jelly grew by 21% and Boroplus lotion grew by 10% during the quarter. Kesh King grew by 2%, Fair & Handsome Face Wash grew by 38% and 7 Oils in One grew by 35% in this quarter.

However Navratna Cool Oil declined by 4%, Balms declined by 5%, and Fair & Handsome cream declined by 18% during the quarter. Healthcare range declined by 6% due to degrowth of 15% in Pancharishta. The base for Pancharishta being very high when it grew by 55% in Q3 FY 2016. Ex-Pancharishta healthcare range grew by 3%.

In nine months Boroplus cream grew by 15%, Vasocare Petroleum Jelly grew by 22%, Boroplus Lotion by 13%, Balms grew by 7%, Navratna Cool Oil grew by 2%, Kesh King grew by 70%, Fair & Handsome Face Wash grew by 22% and 7 Oils in One grew by 46%; however, Fair & Handsome cream declined by 6% and Pancharishta by 7% impacting the

growth of healthcare range, which grew by 2% in nine months. Ex-Pancharishta Healthcare range grew by 11%. In Q3 FY 2017 Navratna Cool Oil's volume market share at 62% grew by 200 basis points. Balms volume market share at 56.3% grew by 130 basis points and Navratna Cool Talc volume market share at 27.1% grew by 130 basis points, Boroplus antiseptic cream market share was at 75.4%, Fair & Handsome cream market share was at 65.2%, and Kesh King market share was at 29.8%.

The international business degrew by 16% during the quarter and by 5% in nine months on account of sluggish business environment across MENAP regions. However excluding MENAP regions it grew by 10% and 14% in Q3 and nine months respectively.

Our consolidated revenues at Rs.726 Crores posted 0.2% growth during this quarter; however, volumes degrew by 2.6%. In nine months FY2017 our revenues at 1955 Crores grew by 9% and volume growth by 6.7%. In Q3 FY2017 our gross margins at 67.9% improved by 120 basis points year-on-year and EBITDA margins grew by 120 basis points at 35.6%. In nine months FY2017 our gross margins at 66.5% improved by 170 basis points year-on-year and EBITDA margins grew by 180 basis points at 29.7%. Cash profit at Rs.216 Crores grew by 5% in Q3 FY2017 and by 10% in nine months FY2017 with a cash profit of Rs.489 Crores.

Profit after tax at Rs.134 Crores posted flat growth in Q3 FY2017; however, PAT at Rs.257 Crores is lower by 9% in nine months FY2017 on account of higher amortization of Kesh King intangibles by Rs.62 Crores vis-à-vis previous year.

To sum up despite challenging domestic and international macroeconomic factors we have been able to perform satisfactorily. To face the post demonetization phase we are poised to hasten our next phase of growth. For this we identified few focus areas to emphasize on, like increasing direct retail reach to 8 lakhs outlets by FY2018. IT enablement with a focus to increase the sales for its effectiveness and aggressive new launches for Q1 next year. With the post demonetization situation improving and the consumer sentiments getting back on track gradually we are poised to capture this positive sentiments and target a good performance in days to come.

With this brief I now open the Q&A and invite the questions. Thank you very much.

Moderator:

Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. We have the first question from the line of Gaurav Nigam from Catamaran Ventures. Please go ahead.

- Gaurav Nigam:** Thank you for taking my question. This is with regards to the SHE brand, which we acquired in 2014, just wanted to understand how that segment is performing and what is the outlook going forward?
- Mohan Goenka:** We had mentioned in our last con-call that we have written-off the brand SHE, so we are not investing on that brand anymore.
- Gaurav Nigam:** Sorry I was not part of that call. Thank you for the clarification.
- Moderator:** Thank you. We have the next question from the line of Rahul Maheshwari from IDBI Mutual Fund. Please go ahead.
- Rahul Maheshwari:** Good evening Sir! I have two questions, first of all in the current environment as the input cost is being in the trend of increasing trend, so you have still managed 130 with gross margin expansion, so can you give highlight that what are the components of COGS, which you are expecting going forward it is being increasing and how much in terms of inventory days you are keeping into the book and second thing as you have post your launches into the herbal segments, which you have told, can you give colour, which category, which you would be entering into and is it the same hair oil category or into the healthcare category or it might be launches of just a variant kind of thing?
- Mohan Goenka:** As far as our gross margin expansion is concerned we are still not seeing an uptrend, we keep almost 60-day inventory, we are very safe at least for this quarter.
- Rahul Maheshwari:** So if we take as a few of the cost of COGS components like Mentha Oil and many chemicals kind of things. So can you give a trend or outlook towards that going forward where do you expect the prices to be?
- Mohan Goenka:** As far as crude and Mentha Oil are concerned of course they are on the rise, but we have inventory as I said we are safe for this quarter. Now we are waiting for some time to see we will be able to maintain this kind of gross margin going forward for the next two or three quarters, but we will have to wait and see. As far as the new product launches are concerned, there would be a mix of new brands and some extensions, we will not be able to be very specific on new launches.
- Rahul Maheshwari:** Why in the current quarter the Kesh King growth has been just came to a low single digit kind of thing on nine-month basis it has been fantastic in terms of 70% growth rate, but do you find overall the category had been degrew or it is only the specific related to the Kesh King?

Mohan Goenka: This is very specific to Kesh King though we have grown at 2% and this being expensive oil because of demonetization it could have had more impact, but we are happy that at least it grew by 2%.

Rahul Maheshwari: So it is due to the down trading, which has taken place into the overall hair oil category, that is why we are finding pressure in to the Kesh King category?

Mohan Goenka: It think it would bounce back, now as I said that markets are reviving so we have to wait for this quarter to see the actual numbers.

Rahul Maheshwari: And going forward for a longer picture if I say not just one year, two to three years kind of thing and Kesh King is something a niche category, what is the growth outlook do you expect for this category?

Mohan Goenka: Our growth what we expect is about 14%- 15% that is the target that we have taken.

Rahul Maheshwari: And what would be the category growth into the herbal for the hair oil like Kesh King, which is one of the category, so category growth how much you expect Sir because you would be beating the industry growth rate, so what kind of category grew?

Mohan Goenka: Sorry can you come again on the question.

Rahul Maheshwari: Means in Kesh King you are expecting the outlook of 14% to 15% in the range of growth, so can you also give an highlight on the category growth what can be the category growth into the space where the Kesh King lies?

Mohan Goenka: I do not have the ready number right now because Kesh Kanti is not covered in the Nielsen data.

Rahul Maheshwari: Fine.

Moderator: Thank you. We have the next question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir Boroplus you have done well, obviously relaunch would have held, how has antiseptic done here and moisturizing lotion and towards the end of the quarter the winter has actually picked up significantly, so is Q4 looking even better?

Mohan Goenka: Abneesh as we have always maintained that the primaries do not happen in January, February, it is mostly the secondaries, so actually we wait for the summer to arrive now, honestly we do not really focus on the winter products in the month of January.

Abneesh Roy: In spite of extended winter this time?

Mohan Goenka: It does not make a difference on our total set of numbers.

Abneesh Roy: And how has antiseptic and moisturizing done both individually this time?

Mohan Goenka: You mean in the third quarter?

Abneesh Roy: Yes.

Mohan Goenka: So third quarter we shared the numbers, so Boroplus antiseptic cream grew by 13% and Boroplus Lotion grew by 10%.

Abneesh Roy: Sir in the Kesh King you spoke and it is commendable to see 2% growth in a tough quarter. Sir my question was in terms of distribution obviously when you bought the wholesale was quite high, in terms of synergy how are things now and when you mentioned that overall distribution moves to 0.8 million by FY2018 so how many of these will have Kesh King also and 0.8 million what is the current number?

Mohan Goenka: Presently we will cross 7 lakh outlets by this March; we have the visibility of 7 lakhs outlets and we would add 1 lakh more by next year. As far as Kesh King is concerned we are still dependant on wholesale market because the product category is such, which sells mostly through the wholesale, but it is gradually coming down. If you compare to some of our other products which are about 50% and Kesh King still is about 65%, so it would take time to come to 50% level.

Abneesh Roy: And that is because your consumption in Kesh King will be more buyers towards rural is that the reason?

Mohan Goenka: Yes it sells mostly in the rural areas.

Abneesh Roy: Sir coming to Pancharishta even last quarter there was a decline, in last quarter a 19% decline you mentioned high base, so you had said obviously getting new customer is something you are working on how to improve penetration is something you are working

on, so what has been the insights there, six months happened the high base is there I understand that what is the way forward?

Mohan Goenka: Way forward is still status quo what I mentioned last time also that we are yet to find a reason; off-course a lot of dipstick is going on and we would have to completely relaunch and come back to the growth level.

Abneesh Roy: But Sir, dip for two quarters, so was the inventory level quite high last time you were going at 100% that kind of number last year so was the inventory level quite high because you are still advertising significantly, I see your ads being quite frequent, why should there be a YOY dip even in Q2, Q3 okay demonetization is there?

Mohan Goenka: It is not the inventory issue because we do not keep high inventories with our dealers, it is to do with the offtake only and off-course the very high base of last year, but yes you are right that it has to come to the growth, it has to show some growth, so for which we are trying, let us see how the market behaves or how the consumers take it. This is a very focus brand for us.

Abneesh Roy: Sir but what is the seasonality here you are saying inventory was not there, but is there seasonality if that is also not there then what is the reason?

Mohan Goenka: I wish I would have known the reason.

Abneesh Roy: And you are saying market share is also not there right?

Mohan Goenka: No, there is no competition in this category.

Abneesh Roy: And Sir I ask you this question every time so I will ask this again. So Fair & Handsome the growth has been quite challenging for many quarters now and in the past you have said all these new brands, which are come they are doing lot of print ads, they are doing lot of TV ads, they are still not much of consequence, do you still maintain that?

Mohan Goenka: Yes you are right on Fair & Handsome also, though we have degrown mostly in Fair & Handsome in the last two months because of demonetization, this is the category which is a pure discretionary spend item, but yes I think we are reworking on our strategy for Fair & Handsome and the Face Wash has done very well, but somehow the cream is under pressure, but let us see, we are trying something new in this category.

Abneesh Roy: That is all from my side. Thank you.

Moderator: Thank you. We have the next question from the line of Amit Sinha from Macquarie. Please go ahead.

Amit Sinha: Sir thanks for the opportunity. Sir just wanted to understand from you the impact of demonetization on urban and rural markets, how stock was a difference of the impact on these two markets for your products?

Mohan Goenka: As far as our categories are concerned if you would see we have not been impacted on the winter products whether it is Boroplus or lotions and we have been mostly impacted on Navratna and Fair & Handsome and Balms, these are the three categories where we have been impacted. Mostly those brands have been impacted for the rural areas and also if you would see we have been mostly impacted in south and north, not so much in east and west, so which is very unique I think, to Emami because never we had seen degrowth in Balms in south, but with demonetization our Balms degrew in particular markets in south. I do not have a clear trend to say it is rural or urban; it is very brand specific trends that we have seen this time.

Amit Sinha: Is it also because of the fact that your Balms sale is more through wholesale channel in south I do not know I want comment from you?

Mohan Goenka: Yes definitely Balms sells mostly through the wholesale markets in south.

Amit Sinha: Sir secondly on the international business now this quarter we have seen a significant decline in the MENAP regions and just wanted to understand that is there any end to the decline rates, which we have seen especially after the crude bounce back in the last few months?

Mohan Goenka: Of course there is sluggish demand in MENAP regions if you would exclude MENAP we have grown in most of the other markets, but we have taken lot of corrective actions and most likely you would see a positive number this quarter.

Amit Sinha: And lastly just one book keeping, have you taken any price hike during the quarter?

Mohan Goenka: Yes we have taken some price hike in this quarter, which would be in the range of about 2% or so.

Amit Sinha: And broadly all the category all the brands?

Mohan Goenka: Not all the brands, some brands.

- Amit Sinha:** Thanks a lot. Thank you.
- Moderator:** Thank you. We have the next question from the line of Prakash Kapadia from Anived PMS. Please go ahead.
- Prakash Kapadia:** Thanks for taking my question. Sir on healthcare any update on new products we had launched them I think in the southern market down AP it has been around three quarters then we were awaiting response before national roll out, any updates on that?
- Mohan Goenka:** Update remains the same, what I had said last time, we are not launching it across India at this point of time, we are still learning from what we had done in the south.
- Prakash Kapadia:** And secondly Sir on Kesh King we have entered and launched the coconut oil variant in South India so just what is the rationale because it will always be difficult to make an impact on not so much of a differentiated product in terms of coconut oil give some thoughts on that?
- Mohan Goenka:** Coconut being the largest selling variant in India and South is predominantly a coconut market so to put footprints in south the base is coconut with the same values of Kesh King. We are trying it in south let us see how we get the response.
- Prakash Kapadia:** And Sir I think you mentioned about 14%, 15% kind of a growth you are targeting in the coming year, so just wanted to understand will it be some of the low base products like healthcare, Navratna low base of export so would these be the growth drivers, which will get up to 15 products or will be a combination of these and some of the newer products, which we mentioned.
- Mohan Goenka:** 14%, 15% was for Kesh King, so next year forward basis if you take a better growth assuming season is right will some of these low base products really need to fire for us or will it be a combination or will it be new products, give us some sense of the outlook going forward?
- Prakash Kapadia:** It would be a combination and of course this year the base has been low for Navratna for healthcare and for Fair & Handsome and international of course these are lower base, so I think all of these would revive and coupled with aggressive new launches I think we would be able to do double digit growth next year.
- Mohan Goenka:** Understood Sir! Thank you, all the best.

Moderator: Thank you. We have the next question from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty: Thank you for the opportunity Sir! Just one thing here with regard to the ad spend numbers while despite the fact that it is kind of a demonetization quarter you are talking about that there could probably be a little bit of a cut down on your ad spend numbers while I see on a YOY basis it is about 7%, 8% cut, I just wanted to understand that could we actually see a most uppercut as far as the ad spend numbers are concerned for the next quarter or so or given the fact that looking at new launches it could be back to normalcy?

Rajesh Sharma: Prashant for Q3 we maintained our ad spends at normal levels because it was a quarter for winter categories and consciously we continued to advertise on those categories and brands and going forward also you should expect normal advertisement from our side.

Prashant Kutty: So you do not see kind of a cutback or something of that sort in the coming quarter or so?

Rajesh Sharma: Yes.

Prashant Kutty: What will be the normalized level as far as the ad spends are concerned?

Rajesh Sharma: Around 18%, which we factored for the full year; 1% or 2% can always be plus or minus depending on the situation.

Prashant Kutty: And Sir second thing is regard to the growth side now you maintained that if you are looking at about 14% to 15% this kind of a growth rate number just trying to understand over here obviously the 1 lakh direct reach outlet is probably like next one year target, given the fact that as to how demonetization actually impacted the wholesale part of it and we slashed out of wholesale just wanted to understand how much is the kind of revive at this point of time and how does it go through this 14%, 15% is actually achievable because wholesale seems to be really impacted on moderate rates, and how has they really come back or so?

Rajesh Sharma: As Mr. Goenka said earlier like we are seeing little revival and we really do not expect the liquidity crunch to continue in Q1 next year so by the end of this Q4 I think the problems should resolve and going ahead we should see a good growth coming back.

Prashant Kutty: Any number as to what could be wholesale would have revived back, is there any thought or any kind of sense on that?

Mohan Goenka: Wholesale market is more or less revived, it is not absolutely back to normal, but I think in the next one or two months it should be back to normal. To give a number is very difficult for me.

Prashant Kutty: And lastly any trends in terms of how is January will pan out in terms of growth rates or may be directionally?

Mohan Goenka: Directionally I would say it is not like really picked up but it is I would say better than our expectation.

Prashant Kutty: Is it similar like December kind of a thing or something?

Mohan Goenka: Better than December.

Prashant Kutty: Fine. Thank you very much.

Moderator: Thank you. We have the next question from the line of Percy Panthaki from IIFL. Please go ahead.

Percy Panthaki: Congrats on a good set of numbers. I do not know if this has been asked I think I missed some part of it, but could you give us some idea given the economic climate and your new launches what is realistic sales growth that you are targeting for FY2018 for the consolidated business?

Mohan Goenka: Percy as we had mentioned that we are targeting double digit growth, so growth anywhere between 12% to 14% is what we expect for next year, but we are expecting a double digit volume growth for next year, that is our biggest challenge and target.

Percy Panthaki: And in terms of drivers for the EBITDA margin do you envisage any possibility of EBITDA margin increase from the current level or that is too optimistic to assume?

Mohan Goenka: No I do not see an increase from here as far as margins are concerned we would try to maintain these margins because we have taken some aggressive new launch plan for next year.

Percy Panthaki: Next on this Kesh King the coconut oil variant what is the pricing of that versus the base variant is it at a discount and if so what percentage discount?

Mohan Goenka: As far as I remember it is in the same price, it is not at a discount.

Percy Panthaki: So the rest of the formulation remains the same it is only instead of the till oil it is coconut oil is that right?

Mohan Goenka: Yes, base oil is coconut.

Percy Panthaki: And what is the initial sort of feel you are getting on that?

Mohan Goenka: We had launched only when demonetization happens so we will have to wait for some time we launched in the month of early November.

Percy Panthaki: And Sir finally on exports the decline is really huge so I do not know can you completely attribute it just to the fact that the end consumer demand is weak because consumption category like this we do not have 15% kind of final consumer offtake declines. So is there any other angle that you would like to highlight?

Mohan Goenka: If you would see international decline it is only in the MENAP region, Saudi Arabia because as I said we have grown in all other areas, Bangladesh, Nepal and Russia every other areas grown, but MENAP has almost degrown by 50% in this quarter.

Percy Panthaki: So is there some distributor change or something of that sort happening there?

Mohan Goenka: Yes, we have changed some distributors in Saudi Arabia and in I think some two to three countries.

Percy Panthaki: So excluding MENAP what is the growth rate of the export business?

Mohan Goenka: Excluding MENAP the growth is 10% in this quarter.

Percy Panthaki: And the MENAP issue I think has been continuing for the last one to two quarters so any idea when that will come into the base?

Mohan Goenka: No, as I had already mentioned that this quarter we would bounce back and we would not see a decline in this quarter, we have taken a lot of corrective actions.

Percy Panthaki: That is all from me thanks and all the best.

Moderator: Thank you. We have the next question from the line of Chetan Thacker from ASK Investment Managers. Please go ahead.

- Chetan Thacker:** Good evening Sir. Sir I just missed the number on the Boroplus growth for this quarter and nine months?
- Rajesh Sharma:** Boroplus grew by 13% during the quarter and by 15% for the nine months.
- Chetan Thacker:** And Sir is the gross margins better in Boroplus compared to the Balm category?
- Rajesh Sharma:** Balms and Boroplus have similar kind of gross margins.
- Chetan Thacker:** And Sir also on the amortization, which is 70 Crores for this quarter, 60 Crores pertains to Kesh King I believe and the other 10 Crores would be for?
- Rajesh Sharma:** It is for SHE, which we amortized completely this quarter.
- Chetan Thacker:** So going forward SHE would not come, this amortization 60 crores would be the number?
- Rajesh Sharma:** Right.
- Chetan Thacker:** And Sir on Kesh King the growth this quarter has been lower, any particular reason for that?
- Rajesh Sharma:** So as Mr. Goenka earlier mentioned it was because of the liquidity crunch and since Kesh King is more wholesale dependent than the other categories for us and also it is a costlier oil – around Rs.140 for 100ml of a bottle so obviously it faced demand issues from consumers, but the good part is that despite all these it at least grew in low single digits compared to the degrowth in other brands and categories for us.
- Chetan Thacker:** And this category as a whole the Ayurvedic Oil category what is the expectation of growth over there?
- Rajesh Sharma:** As we early mentioned this should go at around 14%, 15% for the next couple of years and with the entry of Patanjali's oil, which unfortunately is not getting captured into Nielsen numbers, category should also grow in similar lines.
- Chetan Thacker:** Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Chitragda Kapur from Sameeksha Capital. Please go ahead.

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- Chitragda Kapur:** Good evening, thank you for taking my question. Sir very interesting, you mentioned that Balms have actually declined for the first time for you in South India and you are the second company that I am hearing with facing difficulty in South India not in your category Balms, but it is a very different category altogether and the reason that they have mentioned is that Patanjali has entered south so is that also a reason for you that Balms will decline or is just wholesale or has you lost market share?
- Mohan Goenka:** Patanjali is not the impact because they are not very dominant in Balms, it is primarily to do with wholesale destocking only.
- Chitragda Kapur:** It is primarily and there is no market share loss for you in the Balms?
- Mohan Goenka:** We have gained market share actually.
- Chitragda Kapur:** No, I am not talking about overall I am talking about south in specific?
- Mohan Goenka:** No, we have not lost market share anywhere.
- Chitragda Kapur:** The second thing was if going forward on a long-term horizon if I have to look at your company for the say next three to four years if you can just highlight of which could be your top three or five brands that will be the growth drivers for you going forward?
- Mohan Goenka:** In terms of our key brands the growths would mostly come from Kesh King then Boroplus, Fair & Handsome and Navratna Oil and of course Balms so these are the key brands, which would keep on growing at double digit hopefully.
- Chitragda Kapur:** So Fair & Handsome is it fair to assume that it would now are the creams, which would be a growth factor, but probably the extensions that you are planning to launch going forward?
- Mohan Goenka:** No, I think the cream is now at the low base it is in the nine months also it has degrown at 6%, so I am very confident it should bounce back next year. Our focus is very much on the creams.
- Chitragda Kapur:** That is helpful Sir! Also in Kesh King I know you mentioned that Kesh Kanti is not covered in your Nielsen data, but if overall the category could you tell what is the category size currently of where Kesh King the natural category primarily likes Kesh Kanti?
- Mohan Goenka:** We will get back to you on the size of the category.

- Chitragda Kapur:** I will probably take that offline. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Nakul Manaktala from Samaira Investments. Please go ahead.
- Nakul Manaktala:** Good evening and again congratulations on a good set of numbers. Two questions, first is just wanted to understand in the wholesale channel what type of inventory levels just to know your wholesale guys holding and how is that going to impact your Q4 numbers any light you can show on that?
- Rajesh Sharma:** It is difficult to quantify a number as there has been some kind of destocking because the wholesalers did reduced business with whatever amount of liquidity they had so what we understand is they also lowered some bit of the inventory levels but once the liquidity improves they would gradually take it up to the normal levels.
- Nakul Manaktala:** And did you provide them some extended credits during the demonetization post announcement?
- Rajesh Sharma:** No, no change in our credit terms, we sell on cash to our distributors and that is what we maintained even during this phase.
- Nakul Manaktala:** And also now second question in regards to your price hikes, which can you refer to the branch you **(inaudible) 39:30** expectation and did your peers also like price hikes or was it just due to the price hike and the competition did not?
- Rajesh Sharma:** So we took price hikes in Navratna in this quarter, so normally we take before the beginning of the season so towards the end of the Q3 we took price hikes for Navratna.
- Nakul Manaktala:** And the competition also kind of followed yours?
- Rajesh Sharma:** Normally they follow so we have to look at their pricing now since we have done it recently.
- Nakul Manaktala:** Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Manoj Menon from Deutsche Bank. Please go ahead.

Manoj Menon: Mohan Ji and Rajesh Ji a very fairly resilient performance gave the circumstances definitely. Just couple of questions one I just heard you articulate the top five brands for the medium term. I am just wondering that you just missed out healthcare or it was a thought through response, which you gave?

Mohan Goenka: Talking of core brands but of course healthcare remains our focus area always we cannot ignore healthcare.

Manoj Menon: No, I just wanted to be doubly sure because we have been listening to this. Sir and secondly just from an academic point of view it is fairly easy to make an argument now that in quite a few categories, which you are completely dominant starting with cooling oil the prevalence of unorganized would be very high and by default you have a significantly accelerated growth opportunity in the next few years, now that is a theory part, if you could just now tell us the action plan, which you may have for the next year or two to take advantage of that and also secondly the possible changes in the wholesale architecture and again are there any specific activities, which you would be planning in some part of India, some specific region, states, categories, etc.?

Mohan Goenka: You are right Manoj I think the next big move for FMCG would be the introduction of GST and it would not just help Navratna I think it should help many other brands, but anything that we are doing for that nothing very specific we keep on doing what is important for consumers and to get the demand back. So of course however now we are waiting for summer to arrive, which is delayed by 15-20 days we would start advertising when the season begins. We have a low base for Navratna we are very hopeful that we should have at least double digit growth in Navratna. Now as far as the change in wholesale architecture sees every company of our side our long-term vision or idea is to have less dependency on wholesale and as much as we can reach directly. In the last one-year we have more or less increased our outlet base by almost 85000 to 90000 outlets and I am 100% confident I would say that in the next one year we would increase it by 1 lakh outlets. So the more we have direct reach our dependency on the wholesale goes down. Presently our total business from wholesaling contribution is almost 50% to 55%, which ideally it should be about 40% and we cannot do it overnight it has to be because we have to reach to rural to cities in small lanes, which takes time.

Manoj Menon: What is actually alluding was that basically I heard for example Godrej telling about an opportunity couple of months back that this is the time in which to actually do a very detailed bottom analysis of let us say the prevalence of unorganized where it is the highest and possibly in those areas there maybe opportunities to actually do more intensified micro

marketing so that was essentially the trigger for this question actually anyway and Sir secondly on the movement variant for the cooling oil, if you could talk anything on the progress or what is the learnings out there?

Mohan Goenka: That the almond cooling oil, which again we have to wait for sometime because now the season is going to start and we are going to start advertising it once again.

Manoj Menon: Cool and all the best, thanks.

Moderator: Thank you. We have the next question from the line of Nikunj Gala from ASK Investments. Please go ahead.

Nikunj Gala: Thanks for taking my question. Sir just wanted to understand whatever the reason for the increase in the gross margin despite increase in the raw material and also with your comment that Boroplus and Balms would have the similar gross margin?

Rajesh Sharma: Boroplus did pretty well, grew by 13% higher than the other brands so there was a bit of a margin expansion because of good mix and also we took some price hikes of around 2.5%, which added to the expansion in gross margins and on the cost front yes we are seeing some inflation now, but till Q3 we were better than the last year rates.

Nikunj Gala: Price hike you have taken in which categories?

Rajesh Sharma: During the year we have taken in Kesh King, 7 Oils in One, Boroplus, Navratna and some bit of price hikes, which we took last year also in Q4 so all put together is around 2%, 2.5% impact.

Nikunj Gala: Even sequentially your margins have improved on gross level, so the price hike was there in Q2 also right?

Rajesh Sharma: Yes that was there, but till Q1, Q2 the gross margin was expanding mainly because of the reduction in input prices, but this quarter the mix also helped us.

Nikunj Gala: Thanks a lot. That is all from my side.

Moderator: Thank you. We have the next question from the line of Vivek Maheshwari from CLSA. Please go ahead.

Vivek Maheshwari: Thanks for attending. My first question is you mentioned about next year the challenge would be to get to double digit growth, but given you will have such a low base in third quarter and even in fourth quarter why double digit growth you are not very confident about?

Mohan Goenka: No, I never said we are not confident about of course I have low base and our target is always to take double digit growth because we see still our penetration levels are so low in most of the categories, the overall scenario, the market conditions, we have to keep everything, which is beyond our control, but as far as if you see our advertising expenses we have been investing on our brands continuously. So once the market situation improves all the macro situation improves I am very confident of doing double-digit growth.

Vivek Maheshwari: Second on the wholesale Sir, how confident you are that if they will come back in couple of months and their issues will be resolved is there a case of adjusting their margins to get them back or do you think in the current whatever margin from that you have they would be more than they will be willing to be taking your product basket as was the case in the past?

Mohan Goenka: Vivek we have not changed any terms in the wholesale or any other channel our terms are the same as I said I think the things are improving, things are getting back to normal not that they are 100% normal, but I am pretty sure that next two three months things would be more or less normal or very stable the only thing, which is in our control is how much can be reached directly to the retail and to the rural market so for which we have taken a very aggressive plan.

Vivek Maheshwari: Sure, but like you said nearly 40% in an ideal case would be still wholesale and right now it is almost 50%, 55% even if you add 100000 outlets in the next 12 months that number is unlikely to go down substantially right because it takes time and I assume by then even indirectly it will keep rising, any risk of wholesale issue getting elongated beyond the couple of months or you are very confident that those guys will come back for sure?

Mohan Goenka: No, as far as my understanding and knowledge goes I think it would turnaround faster than we expect.

Vivek Maheshwari: Got it Sir thank you and all the best.

Moderator: Thank you. We have the next question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir the demonetization would have impacted the new launches, but what is the initial feel on the Rs.3 sachet of Kesh King shampoo and honey would have seen much longer time so how was that?

Mohan Goenka: In this quarter honey was -3% so it did not grow in this quarter and as you know which is an expensive honey.

Abneesh Roy: Are you reworking the entire positioning?

Mohan Goenka: No, we are not reworking on any positioning, our positioning is very clear and now we have to wait for the next season to come. We would be a niche player in honey when we launched also we would be niche player our quality is different so we will address to new consumers.

Abneesh Roy: And Sir this is not a key quarter for HE, but some numbers will be helpful how has HE brand done in this quarter?

Mohan Goenka: *“There has been no sale at all of HE in this quarter, but there has been a little bit of sale.”* HE actually last year the sale was also zero and this quarter we have done about 1.5 Crores in HE in this quarter.

Abneesh Roy: But the category will not see this much seasonality right?

Mohan Goenka: See it is a new brand for us so it was new for us in this quarter what we understand of course it is a seasonal brand and now the season is going to start that is what the market says.

Abneesh Roy: And Sir Kesh King last quarter the market share was 32.3% in terms of volume terms has it gone down?

Mohan Goenka: That was in value terms; in volume it was 29% something.

Abneesh Roy: So you have not gone down there?

Mohan Goenka: No, we have not gone down; rather we have not gone down in any of the category.

Abneesh Roy: And Sir on SHE you are not investing any plans to sell that?

- Mohan Goenka:** Yes, the idea is we are looking for a buyer. No we will wait that was a pass of remark, but we will wait for some time to see because internally still we are in two minds as far as SHE brand is concerned.
- Abneesh Roy:** Final question is on GST how is the preparedness of the company, of the vendors, distributors and in your case obviously one good thing is lot of the competition would be the smaller players who may or may not paying taxes and there will be some organized competition also so what is the sense you are getting is there a lot of gain, which will come eventually?
- Rajesh Sharma:** We are working towards that and well prepared to implement whatever changes the government comes out with, but on financial terms obviously the government is yet to come out with the specific rates for specific categor so we have to just see what they finally comes out with.
- Abneesh Roy:** That is all from my side.
- Moderator:** Thank you. Ladies and gentlemen that was the last question, I would now like to hand the conference over to Mr. Ajay Thakur for closing comments. Thank you and over to you Sir!
- Shirish Pardeshi:** Mohan Ji this is Shirish Pardhesi I have two questions. You mentioned that your wholesale contribution is about 50% plus. I just wanted to check on the Kesh King before acquisition is this wholesale contribution was much higher?
- Mohan Goenka:** When we took this brand it was only wholesale because Kesh King did not had the retail presence at all, so 100% was wholesale.
- Shirish Pardeshi:** So right now then Kesh King retail would be what outlets you would be select?
- Mohan Goenka:** I do not have specific number Shirish that how many number of outlets we reach for Kesh King, but the wholesale and retail contribution presently it would be roughly about 65% is come from wholesale compared to some of our other brands, which are much lower.
- Shirish Pardeshi:** And this is primarily strong in Tier II wholesale in the north.
- Mohan Goenka:** Yes so predominantly Kesh King sells in north and west so it is yes UP and those belts, there it is very strong.

- Shirish Pardeshi:** Just two more questions, in the NRO you have gained the market share so I think in between Himgange has become little inactive so who is the number two real fighter from the next one and one-and-a-half years perspective?
- Mohan Goenka:** No, so far our competition in this category Himgange only.
- Shirish Pardeshi:** Yes, but it is not doing well in UP and Bihar belt then is there any significant player, which has come up in this region?
- Mohan Goenka:** No, there is no new entrant in the cooling oil category our competition still is with Himgange.
- Shirish Pardeshi:** While looking at your results I saw that CSD has also not done well what is the reason why is it issue with the quarter ending or something like year ending?
- Mohan Goenka:** It is a one of issue where we have consciously done lower business.
- Shirish Pardeshi:** So it will come back in the next quarter?
- Mohan Goenka:** Yes, it should bounce back.
- Shirish Pardeshi:** Just one last question in the Boroplus category I think BAPC was growing well till last so many years after many years I have seen that there was slightly a lower growth?
- Mohan Goenka:** Which brand sorry?
- Shirish Pardeshi:** Boroplus antiseptic.
- Mohan Goenka:** No, Boroplus antiseptic cream has done exceedingly well this year.
- Shirish Pardeshi:** Lotions have moved a little faster than antiseptic?
- Mohan Goenka:** You mean lotions and not creams?
- Shirish Pardeshi:** I am talking about creams.
- Mohan Goenka:** We have done better in creams.

Shirish Pardeshi: When you are saying double-digit growth for the next one, one-and-a-half years so with cream and lotions it should be little higher because by then your brand will get penetrated further?

Mohan Goenka: No, but Boroplus cream itself is well penetrated to have a double-digit growth in Boroplus antiseptic cream it is a challenging task.

Shirish Pardeshi: I am only saying because Boroline has come back very strong they are spending I do not know what is their strategy of course you are being in the eastern part you would see what is happening on the ground so my only fear is that in that sales would you require to spend more or would you do the brand building more?

Mohan Goenka: We have no fear as far as Boroplus antiseptic cream is concerned, our market share is 72% it is still at 72% and we have done rather exceedingly well in Boroplus this year, we could have done much better if demonetization impact would not have happened.

Shirish Pardeshi: Alright that is it from me.

Moderator: Thank you. Mr. Ajay Thakur any closing remarks Sir?

Ajay Thakur: No, I will just hand over the conference to the management for closing comment. Mohan Ji if you have any closing comment?

Shirish Pardeshi: Thank you Ajay. We thank Anand Rathi to organize this conference call. We thank all the participants for participating and patiently hearing to us. Thank you. Have a nice day.

Moderator: Thank you very much members of the management. Ladies and gentlemen on behalf of Anand Rathi Share and Stock Brokers that concludes this conference. Thank you for joining us. You may now disconnect your lines.