



emami* limited

Date: 12th August, 2016

The Secretary
The National Stock Exchange of India Ltd.
Exchange Plaza, Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai: 400051

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai: 400001

The Secretary
The Calcutta Stock Exchange Limited
7, Lyons Range
Kolkata: 700001

Dear Sir(s),

Sub: Transcript of Investor Conference Call held on 3rd August 2016

Please find enclosed the transcript of the Analyst Conference Call pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, held on 3rd August, 2016 subsequent to declaration of Financial Results for the First Quarter ended 30th June, 2016.

This is for your information and record.

Thanking You,

Yours Faithfully
For **Emami Limited**,

A. K. Joshi
Company Secretary & VP-Legal

Encl: as above



“Emami Limited Q1 FY 2017 Conference Call”

August 03, 2016



ANANDRATHI



ANALYST: MR. AJAY THAKUR - ANAND RATHI

**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 Q1 FY 2017 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. Should you need assistance during the conference call, please signal for 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 of Anand Rathi. Thank you and over to you Sir!

Ajay Thakur: Hi everyone and welcome to Q1 FY2017 conference call of Emami Limited. From the management, we have Mr. Mohan Goenka – Director, Mr. Rajesh Sharma – Senior VP, Finance and Investor Relations. We shall begin the call with a brief on the Q1 results and then I shall request Mr. Goenka Ji to take over for Q&A session. Over to you Sir!

Mohan Goenka: Thank you Ajay. A very good evening friends. I welcome you all to this conference call on Emami’s First Quarter Results for FY2017.

The financial results for the quarter have been prepared in accordance with Indian Accounting Standards and the result for Q1 FY2016 and FY2016 has been recasted in accordance with Ind-AS to facilitate comparison. While there is no significant change in the profits in FY2016 as per Ind-AS, the revenue has been reduced by around 10% mainly on account of reduction in sales tax and secondary trade promotion schemes. Due to the same, margins have also improved.

Our revenues at Rs.644 Crores grew by 20% and volume grew by 17% during the quarter. Organic sales grew by 9.5% and volumes grew by 6.4%. Despite challenging business environment the company reported steady growth across categories with the domestic business delivering a strong top-line growth of 21% with volume growth of 18%.

Navratna Cooling Oils grew by 8%, Navratna Cool Talcum Powder grew by 15%, Balms portfolio grew by 6%, Fair and Handsome grew by just 1%, Boroplus Antiseptic cream grew by 38% and healthcare range grew by 14% in this quarter. Kesh King contributed 10.4% of the total revenue and grew by 23% on a quarter-on-quarter basis.

New launches such as Fair and Handsome Face Wash, Emami 7 Oils in One- and HE Deodorants performed well.

During the quarter the company relaunched its key brands – Navratna Oil, Fair and Handsome, Zandu Balms and HE Deodorants with improved formulation and new

packaging. The company continued to gain market share in some of the key categories in this quarter. Navratna Cooling Oil gained 100 basis points at 62.3%, Fair and Handsome gained 120 basis points at 64.9% market share, Kesh King Oil gained 360 basis points at 33.6%, Boroplus and Balms maintained their leadership positions with volume market share at 76.2% and 54.5% respectively.

International business grew by 14% during the quarter led by Bangladesh and GCC countries. Our gross margins at 64.5% improved by 390 basis points year-on-year, our EBITDA margins have grown robustly by 450 basis points at 22.9% despite high A&P spends at Rs.153 Crores, which increased by 70 basis points at 23.8% of sales.

During the quarter, the amortization of Kesh King and SHE intangibles amounted to Rs.60 Crores against Rs.13.5 Crores in the corresponding period last year. Interest paid increased by 8 Crores and other income reduced by Rs.13 Crores on account of the acquisition. Our net debt has come down to Rs.410 Crores from 550 Crores in March 2016. Cash profit at Rs.128 Crores grew by 17.5% during the quarter; however, PAT at Rs.57 Crores was lesser compared to corresponding period of previous year because of amortization of Kesh King intangibles.

To sum up, prudent approach, efficient cost management, and our robust business model has helped us to meet the challenging environment and remain competitive and profitable by delivering a healthy topline and healthy margins.

We remain positive that good monsoons will lead to a pickup in rural demand while the urban consumption will be boosted by implementation of the Seventh Pay Commission and OROP benefit disbursement.

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

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

Abneesh Roy: Sir congrats on good set of numbers. My first question is on Boroplus 41% growth in Q4 and 38% growth in this quarter so two consecutive very good quarters so are you offering some disruptive pricing here or some promotion here?

Mohan Goenka: Not really Abneesh we have not done anything it is a normal demand, which has come from some specific markets. But this is, it is a small quarter for Boroplus

- Abneesh Roy:** Last quarter also good and you have said winters.
- Mohan Goenka:** Right, but we haven't done anything extra on Boroplus it is a normal demand.
- Abneesh Roy:** Sir second is if I see on the other hand your fairness cream there is so much new competition I see aggressively advertising and names are also pretty similar to your own brand so now two consecutive quarters of no growth at all so this quarter also 1% growth last quarter of flat growth. So do not you think it is a competition issue rather than you are still saying market share is fine, but I think clearly new players are seem to be taking away market share there but I think aggressively also.
- Mohan Goenka:** But as I said our market share has improved in Fair and Handsome by almost 120 basis points, unfortunately the men's fairness cream market has declined. So there is no question of competition in this particular segment, we are a dominant leader and we have just relaunched our new product I am very confidence of gaining growth in this quarter.
- Abneesh Roy:** Sir why I am asking this is you are seeing good volume growth in your other categories why should a lesser penetrated category like men's cream growth was lower than other categories and of course the Neilsen numbers we are seeing in many cases doesn't really tally with the company's performance in many cases. I am really saying is the on-ground competition not much higher than what it was two years back?
- Mohan Goenka:** No it is not the question of competition. This is the only category where discretionary spends means a lot so mostly the demand is urban led where we have seen the demand has been low over the last few years not just two quarters, but with relaunch and our aggressive marketing campaign we are confident of growing the market. I have not seen any competitive threat honestly in this category.
- Abneesh Roy:** Final question, on Honey and Deo so in Honey if you see Patanjali which is priced at Rs.70 for 250 grams they are also now in their ad saying pure, safe, putting lot of FSSAI documents on the website, Dabur is also saying similar, so in that context your positioning of pure and safe honey at a much, much higher price why will customer believe that or why will they feel that such a thing is there when much lower players also claim safe and second is Deo Sir if you see premium packaging no gas already many players have this so again what is the right to win here. So just because of better packaging and no gas, which many players are offering much earlier, do you think there is a right to win in this segment now?
- Mohan Goenka:** I have explained it in the past also that deodorant is a competitive category, and our idea is more on male grooming rather than just focusing on the deodorant. So HE is moving

towards the male grooming area and as far as honey is concerned there also our strategy is very clear, we are not competing with Patanjali and Dabur. Our pricing is different so even if we have niche consumers who believe in purest of honey they will consume Zandu Honey. We are not in the price war business.

- Abneesh Roy:** Deo also are you targeting niche only?
- Mohan Goenka:** No, deo there is no question of niche. We are competition with FOGG and Engage whoever is in the market, but I have explained it that we are investing on the brand HE then deodorants.
- Abneesh Roy:** I will come back in the queue. Thank you.
- Moderator:** Thank you very much. We have the next question from the line of Sanjay Singh of Axis Capital. Please go ahead.
- Sanjay Singh:** In some of the categories the market share was different last year and I think there has been a restatement probably this year. I think specially in Navratna Oil where we keep seeing for 73% last year but now we are seeing 60%. So is there any change per se in the category definition or how are you looking into it?
- Mohan Goenka:** Two categories where it has changed because Nielsen keeps on changing their base. So whatever the report is what we report. In both the categories- in the cooling oil and also in the Kesh King they have again changed their base.
- Sanjay Singh:** What is the base in cooling oil have they included some other kind of oil?
- Mohan Goenka:** No, they have not included any other oil but they increased their coverage, number of outlet so they when there is a change in the base it change.
- Sanjay Singh:** It will change the number of sampling outlets per se?
- Mohan Goenka:** Yes absolutely.
- Sanjay Singh:** Okay so that makes sense. In healthcare we have seen in a growth has tapered down from very high 30%, 40% to now almost 15%, 14% so can you just share what is happening there and how is your test marketing et cetera going on in the healthcare space?

- Mohan Goenka:** Healthcare in the last four, five quarters the growth was led by Zandu Pancharishta and Zandu Pancharishta growth in this quarter has been slightly low. The Zandu Pancharishta growth as about 23% because the base has increased now, earlier it was going at almost 50%, 60%, 70% so that is one of the reasons why the growth is about 14%, there is almost 60% sales comes from Pancharishta.
- Sanjay Singh:** How you look at the other healthcare launches or plans?
- Mohan Goenka:** Those are all on track we have sufficient pipeline in the healthcare product where we have test marketed some of the products in the south depending on the result of those we will launch nationally.
- Sanjay Singh:** That is it from my side thank you.
- Moderator:** Thank you. We have the next question from the line of Percy Panthaki from IIFL. Please go ahead.
- Percy Panthaki:** Sir congrats on a good set of numbers and my first question is on Kesh King you have seen a 23% sequential increase in this brand salience so first of all do you think that there has been something structurally or fundamentally different which has led to this or it is just a quarterly gyration and you cannot really take this number as a sort of trend for the future and if it is the former then there is something structurally different can you little bit explain in detail what is it that you have done on your part to accelerate the growth?
- Mohan Goenka:** You are right and we are very happy with the performance of Kesh King in particular and I had explained in the past also that there were many changes which were planned which we implemented in the last four, five months and because this was the full quarter where all the new plans were implemented there which led to the growth, so to start with it was the change in formulation, advertising, entire distribution launch of small size, everything put together we have seen this growth of almost 23%.
- Percy Panthaki:** Sir what is the small size how many ml is that?
- Mohan Goenka:** That is 60 ml.
- Percy Panthaki:** Priced at?
- Mohan Goenka:** It is priced at Rs.70.

- Percy Panthaki:** That would contribute what percentage of the sales now.
- Mohan Goenka:** Presently it is small, presently it is very small, it is below 5%, and the overall new advertising plus the mix our own distribution push has helped the brand the growth of this level, as far as future is concerned now the brand has completely come to our fold and it is on track we are very confident of achieving higher numbers even from here.
- Percy Panthaki:** My second question is on the new launch strategy if you recall about two years back you had basically decided that you would not stick to the just the four core categories that you have, you would also experiment and try some new categories like you have launched HE and then you have gone into Face Wash in the Fair and Handsome, you have gone into some new Oils, etc., and at that time you had mentioned that we will target to sort of have 5% incremental sales growth coming from this year-after-year for the next two to three years, so just Sir wanted an update on this the first year was good we had 5%, 6% incremental growth coming from this but now the growth seems to have petered of so what can we really do to sort of rejuvenate the growth coming from some new initiatives of this sort?
- Mohan Goenka:** There is one significant change Percy is we have acquired the Kesh King brand, so of course the focus, the money, the spends have to go behind because it is a significant large investment so we are putting all our resources on Kesh King first then as far as Fair and Handsome Face Wash or 7 Oils in One-, or HE Deodorants are concerned the focus is very much there on all the three brands and even in this quarter the contribution from these brands have been more than 5%.
- Percy Panthaki:** But just taking forward from Sanjay's question, on the consumer healthcare you basically mentioned that there is a test launch going on and depending on that there will a national role out so possible to give any timelines for the same?
- Mohan Goenka:** It is difficult for me to give specific timelines. It is taking more time than anticipated so we would wait for another one quarter for sure before rolling it out.
- Percy Panthaki:** That is all from me. Thanks and all the best.
- Moderator:** Thank you. Next question is from the line of Arnab Mitra of Credit Suisse. Please go ahead.
- Arnab Mitra:** Hi Mohan Ji. Congrats on a good set of numbers. Just one question on margins given the kind of Y-o-Y margin expansion this quarter of course part of it would be because of Kesh King's mix, but now that commodity cost again are starting to move down a little bit what

kind of margin expansion can we see in FY2017 and also in the light that some other companies have actually got that side in this quarter and probably going ahead?

Mohan Goenka: Arnab, we will maintain to our guidance. We are expecting 1% increase on margins from last year, and as far as advertising is concerned it was 18% last year this year it would be 19% so the EBITDA margins would be maintained and there is 1% benefit would be on the gross margin side.

Arnab Mitra: On the deodorant launch Sir any change in the feedback this time versus when you launch two years back on how the consumer has reacted are you moving towards and now then we were two years back when the first three deodorant launch happened?

Mohan Goenka: Yes we are happy with the deodorant launch. HE we have invested a lot of money you all must have seen the advertising on digital and on TV and press so this remains focus category and brand also. This year has been better than last year, but it is definitely a competitive space. Let us see we are planning to come up with some more male grooming products under HE.

Arnab Mitra: And just one book keeping question, the tax rate this quarter also is about 17.5% so for the full year FY2017 what kind of tax rate should be bill in?

Mohan Goenka: It would be in the range of 20%.

Arnab Mitra: Thanks Sir. That is it from my side.

Moderator: Thank you. Next question is from the line of Prakash Kapadia from Anived Portfolio Services. Please go ahead.

Prakash Kapadia: Congrats on good set of numbers. Sir if I look at the Hair Oil portfolio Navratna Cooling Oil has grown around 8% despite an extended and a good summer so did UP, Bihar see some slowdown and given that Q1 has seen this kind of a growth what is the outlook for the remainder of the year will it be like double digits, high single digits for Navratna Cooling Oil? Secondly on 7 Oils in One-, some sense you could give us now it has been sometime we have launched the product it is obviously grown it at a low base this quarter so where is it available which geography we are hope to keep on that 7 Oils in One- and is this poised to become big in the coming year?

Mohan Goenka: As far as Navratna Oil is concerned we started very well for the first two months because the summers were very good, where we grew by almost 17%, 18% but unfortunately the

rain started in the month of June this year. There we saw flattish growth so it is an 8% growth. As far as the next quarters are concerned we are sure of maintaining about 7% to 8% growth on Navratna Oil for the full year and the 7 Oils in One- is available across India other than south. The growth in this quarter was 37% of course on a lower base but we are confident of achieving at least 25 to 27 Crores for the full year.

Prakash Kapadia: Sir on the rural side if we look at some macro pointer, tractor sales are going up certain pockets of commodities like sugar seem to be doing well, liquidity seems to be coming in, NREGA is increasing monsoons are above normal, so for the remainder of the year how do we see rural growth panning out for us, will it be like in line with the urban growth what is happening and what is our sense because we have got a large, large rural sales contribution?

Mohan Goenka: Our rural and urban contribution is almost equal but we are sure we have seen excellent monsoon across India so this should help some of our portfolios like Balms and other products also in the rural areas and let us wait it is very difficult for me to say, but our estimate like all other companies are also that the market should grow in the second and the third quarter.

Prakash Kapadia: Great. All the best.

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

Amit Sachdeva: Sir very one very quick question on the growth rate. If I remember last quarter you had talked about FY2017 outlook and if I am correct, correct me if I am wrong. You had guided that you are hoping for an organic like-to-like growth of about 15% overall and given this quarter base of our portfolio has moved, do you think this sort of line of growth is tenable and how sort of how you are seeing the growth and that guidance in that light?

Mohan Goenka: No we are very confident of achieving 15% topline growth, because this quarter we have done almost 20% growth and looking at monsoons we are even more bullish that we would be able to maintain, so we are not changing any guidance and confident of achieving 15%.

Amit Sachdeva: Mohan Ji if I am correct it was like-to-like it is because this was a quarter of Kesh King being consolidated for at least less than a quarter but as almost full quarter. So excluding that the growth rate, the growth rate was about if I am correct it a bit in domestic market, so given the quarter do you think we should am I understanding it correctly that the 15% even with Kesh King or without Kesh King?

Mohan Goenka: The 15% would be without Kesh King and on totality it would be about 17%.

- Amit Sachdeva:** Thanks. That is all from me. Thank you so much.
- Moderator:** Thank you. Next question is from the line of Vipul Agarwal of Bajaj Finance Limited. Please go ahead.
- Vipul Agarwal:** Congratulations Sir for this good number. I had this question of tax rate, which I got cleared from the previous question so thanks a lot.
- Moderator:** Thank you. Next question is from the line of Tejas Shah of Spark Capital. Please go ahead.
- Tejas Shah:** Just wanted to know if you can help us on some scenario on how menthol prices are panning out?
- Mohan Goenka:** Menthol is in line with our estimates but slightly it has gone up over the last two quarters but we have stock for this quarter but price varies every day, as I said on overall we still see expansion on our gross margin by 1% because there is reduction in LLP prices from last year.
- Tejas Shah:** Sir if I look at your presentation, we have managed organic sales of 9.5% while volume was 6.4% so the balance gap is price hike or it was largely mix range?
- Mohan Goenka:** It was price hike.
- Tejas Shah:** And in which category sir we would have taken this?
- Mohan Goenka:** We have taken price hikes across categories.
- Tejas Shah:** Sir lastly on 1% additional ad spend that we want to invest this year would it be to support new launches which we had this pipeline ready for last almost one year or that to sustain the current pipeline itself?
- Mohan Goenka:** This increased ad spend is on account of HE deodorants and also some of the new launches that would come in the second and third quarter.
- Tejas Shah:** That is all from my side. Thank you.
- Moderator:** Thank you. Next question is from the line of Kaustubh Pawaskar of Sharekhan Limited. Please go ahead.

Kaustubh Pawaskar: Congrats on good set of numbers. Sir I have a question on the healthcare division, in the past we have been clocking about 25% to 30% growth in this division and you mentioned some of the earlier participant that the base effect has come into play for Zandu Pancharishta. So Sir going ahead what should we expect a 14% to 16% growth in the healthcare division?

Mohan Goenka: We have estimated about 18% to 20% growth for the healthcare let us see how Pancharishta does in this quarter and next quarter depending on that we would revise our numbers.

Kaustubh Pawaskar: Sir in your initial comment also you have mentioned that your net debt has reduced to about 410 Crores from about 500 Crores in March so going ahead what is your target of reducing debt?

Mohan Goenka: We would retire this debt in the next five quarters.

Kaustubh Pawaskar: Thanks Sir.

Moderator: Thank you. The next question is from the line of Chandrashekhar Sridhar of Fidelity. Please go ahead.

Chandrashekhar S: Thanks for taking my question. Number one was how large this menthol now as a percentage of your raw material basket and secondly that why do you talk of only about a 100 basis points margin improvement for this year I know your base quarter didn't have Kesh King to the extent but I am just little surprise that you are only guiding 200 basis points gross margin improvement. Thank you.

Mohan Goenka: Menthol is about 10% of our total COGS and as you rightly said because last year we did not have Kesh King so that bought this expansion in gross margin for this quarter, but from quarter two last year we had Kesh King for the full year. So that expansion would be difficult in margin.

Chandrashekhar S: Thank you.

Moderator: Thank you. Next question is from the line of Vishal Gupta of BNP Paribas. Please go ahead.

Vishal Gupta: Most of my questions will be answered. I have one question which regards to the pan card issue one of your competitors had highlighted that the pan card issue had impacted the sales in 1Q so have you faced that issue in 1Q?

- Mohan Goenka:** No we have not faced any such issue in UP and MP.
- Vishal Gupta:** Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Rajiv Anand of Narnolia Securities. Please go ahead.
- Rajiv Anand:** My question is on other expenses, why other expenses were down Y-on-Y?
- Rajesh Sharma :** This year we got some benefits due to Kesh King being there for the full three months and also last year there was some strategic expenses which were not there this year.
- Rajiv Anand:** My second question is what is the capex guidance for FY2017 Sir?
- Rajesh Sharma:** Capex for FY2017 should be around 175 Crores.
- Rajiv Anand:** Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Chitrangda Kapoor of Sameeksha Capital. Please go ahead.
- Chitrangda Kapoor:** My question is more on the industry per se you said something interesting during the call that the men grooming industry has actually declined. I am quite intrigued with that and I would like a little bit clarification on that how this was industry last year at what rate was it growing and where has the growth rate dwindle to that is my first part of the question. My second part of the question would be a follow up on the first part of the question which is I would very much like to understand from you as to what is the current per capita consumption for your three categories which is your cooling oils, the Fair and Handsome and the Balms how has that changed over the previous two, three years and how is it expected to change going forward. Thank you.
- Mohan Goenka:** For this may be you can talk separately, because we do not have the data readily available here.
- Chitrangda Kapoor:** I will get connected to you separately in that. Thank you.
- Moderator:** Thank you. We have the next question from the line of Kunal Bhatia of Dalal and Broacha. Please go ahead.

Kunal Bhatia: Congratulations on a good set of numbers and thanks for the opportunity. Sir I just had a question in regards to raw materials you mentioned that menthol is about 10% of our total raw material. Sir any other if you could share the other significant raw materials which were more than 10% of our overall COGs?

Rajesh Sharma: The other raw material which is important is the crude derivative LLP in fact which is also around 8- 9% of our cost and also the plastics and these are also kind of crude derivatives..

Kunal Bhatia: So overall crude derivatives would be what percentage of the overall raw material.

Rajesh Sharma: That would be roughly 25%.

Kunal Bhatia: Thank you so much.

Moderator: Thank you. Next question is from the line of Kaustubh Pawaskar of Sharekhan Limited. Please go ahead.

Kaustubh Pawaskar: Sir my question is on your international business this quarter it has grown by about 14% and we have been saying a double-digit growth for past few quarters. Can you throw some more light on it you have mentioned in the presentation that Bangladesh and GCC market has done extremely well for you? So can you just give some more colour on it what kind of growth rate you have achieved in these two markets and going ahead which markets could be your key important to you and how will be the growth rate you have achieved?

Rajesh Sharma: On a longer-term horizon for next four-five year period we are looking at aggressive growth in our international markets, 20% plus growth, which is possible going ahead and the driver for this growth would be Bangladesh and Middle East, GCC countries. This quarter also the growth has been led by Bangladesh and GCC. Bangladesh has grown by around 20% and GCC have also grown by around 15%.

Kaustubh Pawaskar: Thank you Sir.

Moderator: Thank you. The next question is from the line of Nikhil Updhayay from Securities Investments Management. Please go ahead.

Nikhil Updhayay: Sir my question is basically with respect to the Chyawanprash category although it is not the category for this quarter but if you look at over the last six months we went ahead and went into investment in a honey category and we have not done the type of investment with some of the competitors or even Patanjali has come in the way in Chyawanprash category

so why is that that we were looking more on the honey category which I believe is a smaller category as compared to Chyawanprash, so do you think that Chyawanprash itself cannot grow from here or what is the whole idea because probably intuitively which I feel is like we have a more right to win in a Chyawanprash category as compared to honey. So if you can just help me understand the dynamics between the two in our thought process there?

Mohan Goenka: We have seen in the Chyawanprash market for the last almost 15 years with Sona Chandi Chyawanprash and with Zandu Kesari Jivan, the market has not been growing for Chyawanprash over last few years but as far as Honey is concerned with changing lifestyle and which improve the healthcare needs, I think Honey is the more better perceptive market compared to Chyawanprash, so we have invested on honey in last year and as far as market size is concerned the unorganized market of honey is much, much larger than what the market of Chyawanprash is, so we think there is a greater opportunity in Honey than compared to Chyawanprash.

Nikhil Updhayay: But with the pricing which we have maintained in Honey and with the Patanjali and Dabur at a lower price, how do we aim to capture the unorganized market which we are discussing here, because probably our consumer will shift to a lower more a product which is at a lesser premium as compared to us?

Mohan Goenka: Our strategy is not to convert unorganized to organized. Our strategy as I said is very clear. We have selected a niche audience, which is SEC-A if they think ours is the purest honey they would buy. We are not competing on price on honey.

Nikhil Updhayay: Secondly you have mentioned on HE Deo would be looking at creating a larger basket of products in the male grooming segment so what are the areas which we are looking at here because on the face wash segment we all know we already have the Fair and Handsome as a product in cream and face wash so other than that are we looking at some shaving type of a product, or after shave both shave type of a product so if you can just give some color on it?

Mohan Goenka: We do not share new product introduction once they are in the market we will come to it.

Nikhil Updhayay: Thank you.

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

Shirish Pardeshi: Mohan Ji, Rajesh Ji good afternoon. Congratulations. Basically I have about three, four questions. The first question is you said that Kesh King you have completely revived the

strategy and distribution there are two questions basically what is the reach now you have gained and what is it that the product will then try and give is that the penetration strategy you are working on or you are trying to grow the top-line in terms of distribution?

Mohan Goenka: With our distribution reach of course Kesh King has reached to almost 75000 retail outlets now, and we are expect it to reach to about 1-lakh outlets and that would be basically on aggressive advertising and promotional led. So there is room to grow in some southern markets and some of the markets where Kesh King was not present. Also with the launch of small size the penetration has been wider.

Shirish Pardeshi: Basically I need to understand you say that the quarterly run rate you say about 20 odd Crores, which was last year.

Mohan Goenka: Sorry the quarter was...

Shirish Pardeshi: This quarter what is the run rate you have got for Kesh King?

Rajesh Sharma: If you look at current quarter we have achieved a turnover of around 67 Crores for Kesh King.

Shirish Pardeshi: And what was last year same quarter.

Rajesh Sharma: So last year was just 10 days. So if you look at the last quarter January to March quarter we have grown by 23% Q-o-Q and this 67 Crores revenue is as per Ind-AS. As per Ind-AS our turnover and revenues have gone down because of reducing sales tax and secondary promotions. So if you see as per the I-GAAP standards the revenue this quarter would be around 75 Crores.

Shirish Pardeshi: So that means the start is excellent so that means you considerably still saying that you will still achieve 300, 330 Crores?

Rajesh Sharma: If we achieve 260 Crores this year as per Ind-AS which is again as I said on reduced turnover as per the new accounting standards, that would be great which we are looking forward to.

Shirish Pardeshi: No I am asking this question because last quarter you guided that you are confident are to achieving 300 Croers so was it this with the new strategy and new plan and new advertising support or there are new product is works like you said that have launched 60ml so is that product was included in your 300 Crores?

- Mohan Goenka:** No, what I am saying is 260-265 Crores revenue this year would be equivalent to 300 Crores as per I-GAAP, so last year we are talking on I-GAAP revenue, this year the 67 Crores I said is equivalent to 75 Crores of revenue as per I-GAAP so this year if you even achieve 265 crores kind of revenue for the full year that would exceed 300 Crores kind of revenue as per I-GAAP. Overall we are very confident of achieving whether 260 Crores or 265 Crores the brand is on track and we are happy with the performance of how it is growing.
- Shirish Pardeshi:** My next question is on the gross margin, the gross margin expansion which is happened 400 basis points is broadly because of Kesh King or it has also developed in the core products?
- Mohan Goenka:** It is equal 2% has come from Kesh King 2% from existing portfolio.
- Shirish Pardeshi:** So is that good enough to factor in because commodity cycle is just picking up but you still have a cushion of say 400, 500 basis points gross margin expansion?
- Mohan Goenka:** No, as I said for the full year it is about 1% for the full year.
- Shirish Pardeshi:** My last question on the rural growth, when you are dissecting your growth in terms of volume what is the rural contribution the quarter we can gone by and what are the growth rates in rural and urban. I am specifically asking for Navratna?
- Mohan Goenka:** Navratna for this quarter we have grown by just 8%, which is on account of rural only because almost 65% of the sales come from rural area. So overall as I said this is a seasonal product because in the last 40, 45 days the season was not favorable we could not grow double digit, otherwise the growth has been almost equal in urban and rural for Navratna Oil.
- Shirish Pardeshi:** Thank you.
- Moderator:** Thank you. Next question is from the line of Kunal Bhatia of Dalal and Broacha. Please go ahead.
- Kunal Bhatia:** Sir just I wanted to get an update of on your distribution network as on date and what are your plans for the next one or two years?

Rajesh Sharma: Presently, we are reaching to around 6.4 lakh retail outlets directly and our idea is to reach around 8 lakh outlets by the end of FY2018 so we will add around 1.6 lakh outlets in two years.

Kunal Bhatia: Sir currently what will be our strength in terms of our distributors?

Rajesh Sharma: So we have roughly 2900 distributors with us as of now.

Kunal Bhatia: And to reach another 1.6 lakh outlets what the number would you be seeing?

Rajesh Sharma: We would manage from the existing distributors.

Kunal Bhatia: Fine sir.

Moderator: Thank you. Next question is from the line of Kuldeep Kangar of HSBC. Please go ahead.

Kuldeep Kangar: Sir just one clarification like what was the number of Kesh King according to the new accounting standard for last year overall?

Rajesh Sharma: Last year was not full year, nine-months kind of we got the revenue from Kesh King so as I said if you look at our Kesh King revenue in Q4 as per I-GAAP was 63 Crores and we have grown by 23% this quarter Q-on-Q and our Ind-AS revenues in Q1 is 67 Crores which is equivalent to 75 Crores as per I-GAAP.

Kuldeep Kangar: Sir for nine-months overall what would have been the number according to new standard?

Rajesh Sharma: Last year Kesh King was around 170 Crores as per Ind-AS accounting standard.

Kuldeep Kangar: Thanks a lot.

Moderator: Thank you. As there are no further questions I would like to hand the conference back to Mr. Ajay Thakur of Anand Rathi for closing comments.

Ajay Thakur: Thanks everyone. Thanks for the participation. Goenka Ji if you have any closing comments.

Rajesh Sharma: Thank you Ajay. Thank you for M/s Anand Rathi for arranging this call and thank you all the participants for joining us today. Thank you.



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Moderator: Thank you very much. On behalf of Anand Rathi that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.