



emami* limited

Date: 3rd November, 2021

The Manager - Listing
The National Stock Exchange of India Ltd.
Exchange Plaza, Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051
Scrip Code: EMAMILTD

The Manager - Listing
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 531162

Dear Sirs,

Sub: Transcript of Earnings conference call

With reference to our letter dated 26th October, 2021 regarding intimation of Earnings Conference Call, post declaration of Unaudited Financial Results of the Company for the Second Quarter ended 30th September, 2021, we are enclosing copy of transcript of the said Conference Call.

The aforesaid document are also made available on the Company's website at www.emamiltd.in

Kindly take the same in your record.

Thanking You,

Yours Sincerely,

For Emami Limited,

Ashok Purohit

Assistant Company Secretary

Encl.: As above



“Emami Limited Q2 FY2022 Earnings Conference Call”

October 29, 2021



ANALYST: MR. PERCY PANTHAKI – IIFL SECURITIES LIMITED

**MANAGEMENT: MR. MOHAN GOENKA – EXECUTIVE DIRECTOR -
EMAMI LIMITED
MR. VIVEK DHIR – CEO INTERNATIONAL BUSINESS -
EMAMI LIMITED
MR. VINOD RAO – PRESIDENT SALES - EMAMI LIMITED
MR. GULRAJ BHATIA – PRESIDENT HEALTHCARE
DIVISION - EMAMI LIMITED
MR. RAJESH SHARMA –PRESIDENT, FINANCE & IR -
EMAMI LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Emami Limited Q2 FY2022 Earnings Conference Call hosted by IIFL Securities 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 Securities. Thank you and over to you Sir!

Percy Panthaki: Good afternoon, everyone. Thanks for joining this Q2 conference call of Emami Limited. From the management, we have Mr. Mohan Goenka – Director; Mr. Rajesh Sharma – President Finance & IR; Mr. Vivek Dhir – CEO International Business; Mr. Vinod Rao – President Sales and Mr. Gulraj Bhatia – President Healthcare Division. Without further ado, I will hand over to the management. Over to you Sir!

Mohan Goenka: Thank you Percy and very good afternoon, friends. I welcome you all to this conference call on Emami results for Q2 and half year ended September 30, 2021. I hope all of you and your loved ones are safe and keeping good health.

It is heartening to note that the pandemic seems to be on a decline since in commencement more than 18 months back with the country crossing 1 billion vaccination. The turn shows that the country is slowly coming back to its normal lifecycle although it is still quite early to predict the return to normalcy.

Despite this development, we can easily take us back to complacency. We need to be guard and not take the decline in COVID infections lightly. It is of utmost importance that we and all our stakeholders including our employees, channel partners, suppliers etc., and their families continue to stay safe and healthy in the future.

With an overall reduction in COVID positive cases, we witnessed an improvement in demand during the quarter as mobility levels increased while discretionary categories also showed revival demand trends remains steady for most of our brands despite a high base in previous year. However, the relevance of immunity has gone down due to accelerated vaccination and lower fear of pandemic resulting in a slowdown in demand for immunity products.

Despite this demand moderation, I am happy to share that we continued our strong profit led growth in Q2 led by a 9% growth in domestic business on a year-on-year basis and 11% on a two-year CAGR basis. Our domestic volumes including institutional sales increased by 6.2% over previous year. Our overall revenues at 789 Crores grew by 7% over Q2 FY2021 and 9% CAGR on a two-year basis.

Emami Limited
October 29, 2021

In the domestic business, Boroplus grew by 29%, Male Grooming range grew by 15%, Kesh King grew by 15% and 7 oils in one grew by 50%. Notwithstanding a large base of previous year, Pain Management range grew by 6%, i.e. a two-year CAGR of 18% and Healthcare range grew by 5% which translates into a two-year CAGR of 26%.

This growth in Pain Management and Healthcare range was achieved despite subdued market sentiments towards immunity product in view of decrease in COVID cases and rise in vaccination. Navaratna declined by 9% during the quarter; however, it grew by 2% on a two-year CAGR basis.

During the quarter, we launched TV and Print campaigns roping in Bollywood celebrity Sonu Sood. We also bought on board the world-renowned wrestler Khali for Zandu Ultra Power Balm. Additionally, Boroplus launched a new variant targeting women between 25 years and 30 years of age with a light and non-sticky Boroplus soft ayurvedic antiseptic cream.

We are also cross pollinating our international brand Creme 21 in the domestic markets through the e-commerce channel. Creme 21 has good brand equity in several countries, and we believe same can be leveraged to enter premium skin care market in India.

During the quarter, modern trade grew by 31% and e-commerce continued its robust run growing by 2.2 times. In Q2 FY2022, e-commerce business increased its contribution by 220 basis points to 4.2% of domestic revenues. In the first half of the financial year, our rural presence was increased in additional to 5200 towns through the Project Khoj. Our revenues through standalone modern trade outlets have also grown by 51% during the same period.

Standalone modern trade coverage has increased to 37 cities with our direct coverage increasing by more than 550 outlets. We have also activated 22,000 additional outlets for our Healthcare products by focusing on ayurvedic bhandar and chemist outlets.

Our international business witnessed a decline of 6% during the quarter. However, international revenues grew by 2% on a two-year CAGR basis while CIS grew by 35%, MENA and SAARC markets declined due to the impact of the second wave of COVID-19 as well as high base of personal hygiene sales in the previous year. However, going forward we expect our international business to recover the growth momentum.

Coming to profitability, we posted a strong profitable growth during the quarter despite continuing input cost pressure and a high base of previous year. Gross margin at 68.8% contracted by 150-basis points over previous year; however, EBITDA had 277 Crores grew by 8% and EBITDA margins had 35.1% also expanded by 10 basis points.

Emami Limited
October 29, 2021

PAT at Rs.185 Crores grew by 56% with PAT margins of 23.5% expanding by 740 basis points. Cash profit at 269 Crores also grew by 15% and cash profit margins at 34.1% expanded by 240 basis points. If we compare our financial performance over last to last year that Q2 FY2020, gross margins were lower by 90 basis points. EBITDA grew by 44% and EBITDA margins also expanded by 590 basis points. PAT grew by 93% and PAT margins also expanded 900 basis points while cash profit grew by 51% and cash profit margins expanded by 720 basis points.

I am also pleased to inform that the Board of Directors has declared an interim dividend of 400% that is Rs.4 per share. While the industry is witnessing an all-time high rise in the input cost we are happy that we have been able to protect our operating margins by way of calibrated price increases and increased operational efficiencies. We will continue to strengthen the brand equity of our core brands, invest in new brands and extensions. Leverage new engines of growth to reach critical mass to remain constant in our growth trajectory. We are confident that with our judicious approach towards business we would be able to continue delivering profitable growth ahead.

Today, we have Mr. Vivek Dhir – CEO of our International Business, Mr. Vinod Rao – President Sales and Mr. Gulraj Bhatia – President Healthcare Division with us. They would be very happy to answer your queries on the performance. With this brief, I now open the floor for Q&A. Thank you.

- Moderator:** Thank you very much Sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Avnish Roy from Edelweiss. Please go ahead.
- Avnish Roy:** Thanks for the opportunity. My first question is on the domestic volume growth, you have mentioned this include institutional business, so if you could tell us, is this CSD and which products have done well here and what would be the volume growth ex of the institutional business?
- Mohan Goenka:** Avnish, if we exclude the CSD, our volume growth is about 5.5% in the domestic business.
- Avnish Roy:** Institutional is essentially CSD, right?
- Mohan Goenka:** Yes, CSD and CPC.
- Avnish Roy:** Second is in terms of your rural sale, so when Nielsen data is seen last two months, they seem to suggest there is a huge slowdown in rural, so in terms of outlook what is your sense on rural specially your own cooling hair oil which is a bit more indexed to the rural that has

also seen slightly tough growth this time, yes I understand the seasonal factor high rain, low rain and all that but are you worried on the rural outlook?

Mohan Goenka: Avnish, I would not shy away by saying that yes over the last three weeks to four weeks, there has been a slight slowdown in the rural areas, and this is across the board, but we will have to wait and watch because we are entering into the peak winter season and at this point of time, we load our winter products. If winter goes well then, then we can see demand for Boroplus and other products, but yes there is a slight slowdown in the market.

Avnish Roy: What will you attribute that to because rainfall is good, MSP great benefit whatever you name is everything is happening, so is it essentially the migrant labor is coming back or is it floods, what is the main reason for the slowdown?

Mohan Goenka: Avnish, honestly, I would not be very specific on why this sudden slowdown in the last few weeks, one of the only reasons what I say is the migrant laborers really coming back to work that could be the only reason but we would have to still wait and watch whether the market bounces back quickly.

Avnish Roy: Sure, and last question essentially is Kesh King continues to do well one year, two year both, so if you could tell us what is working here and the split between shampoo and hair oil?

Mohan Goenka: You are right Avnish and if you remember we were very confident that Kesh King would definitely do well, we are taking share from our competitor's quarter-on-quarter basis, market is also expanding. We are trying to get our new consumers through our new campaign, we did a campaign with Shilpa Shetty also and we have been very, very aggressive in all our markets including South India, so still there is a lot of headroom to grow as far as Kesh King is concerned and we are bang on our strategy I would say.

Avnish Roy: Market share there has been from gain if you become the large unlisted Ayurvedic player?

Mohan Goenka: No, over the last few quarters, we have seen the competitive intensity by Patanjali and Indulekha has also come down. We have been more aggressive, so we are taking shares from these players also.

Avnish Roy: Okay, that is very helpful, that is all from me. Thank you.

Moderator: Thank you. We have the next question from the line of Tejash Shah from Spark Capital. Please go ahead.

Tejash Shah: Last two quarters, we were seeing good traction in Healthcare range obviously driven by immunity demand as well, but we had launched a lot of products and there was a very focused interventions being made in terms of marketing and communication, so how should we see this deceleration and if you can give some color on non-immunity-based product growth on Y-o-Y basis?

Mohan Goenka: Gulraj is there with us who looks after the Healthcare division. I would have Gulraj to answer this please.

Gulraj Bhatia: Basically if you look at Healthcare range comprises of two – three segments, one is the immunity range that there is OTC products beside the immunity products and then we have ayurvedic medical products, the medical division which comprises of generic and ethical range. We see a slowdown obviously compared to last year in the Health supplements such as Chyawanprash, to some extent Honey, Kesari Jeevan etc., because of the last years Corona peak pandemic consumption is very high and this year it has come down quite significantly and that is true for the entire market also but we have seen other brands like Pancharishta, like Nityam doing reasonably well and even our medico division which are basically separate sales team going to doctors, ayurvedic doctors etc., has done reasonably well. So, we have done pretty well in the other OTC products besides immunity and in medico division.

Tejash Shah: Sure. So, do you see acceleration happening over here as we go along in the rest of the year or there are some still high base of immunity products which will drag down the overall performance?

Gulraj Bhatia: We do foresee the other brands doing well in the current quarter and even the ayurvedic products division doing well in the current quarter even the ayurvedic products or the medico division also had some immunity based products which did well but we have tried to make that up through focus on other categories but we will still see pressure on brands like Kesari Jeevan, Chyawanprash, Honey etc., in the current quarter also because as you know the peak sales happen between the months of November to January on the Chyawanprash range etc., so there was added benefit we have got last year of higher consumer offtake and consumer beneficiary last year in the category but we still believe that we have headroom for growth in terms of the market shares because we had relatively smaller markets share player, so we are focusing on seeing how do we gain our market share and some of the immunity products like Chyawanprash etc.

Mohan Goenka: Tejash, just to give you some numbers like if you exclude the immunity in Healthcare, we have almost grown at 8.6% and if you include the Chyawanprash and immunity is about 4.5% but on a two-year CAGR basis, the total growth has been at 26%. Basically, the immunity because of the high base of last year, the numbers have slightly been drag down.

Tejash Shah: Perfect, this explains. Second question pertains to A&P spend, there has been a deceleration and FI tie up with their opening remarks that we have been aggressive on launches and in marketplace also we are competing aggressively, how should we see A&P spend going forward at least for this year and next year?

Mohan Goenka: A&P spend percentage for this quarter has been at 13.4% compared to about 14.7% last year. See what had happened on A&P for the first half if you would see we have spent a little less because we could not spend in Q1 because of the pandemic but we have really spent quite significantly in Q2 but we have taken some budgets from our first half and bought it to second half looking at the situation of pandemic that is one of the reasons why we think our second half A&P would be slightly more compared to our last year numbers. It would of course depend on the pandemic situation but as of now it looks like we would spend aggressively in the second half compared to our last year second half.

Tejash Shah: Annual guidance on debt will remain around?

Mohan Goenka: Annual guidance would remain at about 16.5%.

Tejash Shah: Last one we are setting on now a very good healthy cash plus 500 Crores odd, so how do we plan to utilize the same going forward, any inorganic growth plan we are seeing a lot of activity due to D2C space nowadays?

Mohan Goenka: As you know Tejash, we have invested in few companies like The Man Company and Brillare and some other investments also we have done in startups and if those are the opportunities then we are constantly for a look out and of course right now we are accumulating the cash, if there is any opportunities, we would evaluate but right now we do not have plans for any big ticket acquisition.

Tejash Shah: That is all from my side and Diwali greetings to the whole teams.

Moderator: Thank you. We have next question from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: My question actually kind of a follow up to the previous question on Healthcare and balms because both of these categories had seen a big surge in demand last year till Q3 at least, so based on your current run rate of trend because assuming all the COVID mind set is kind of out already, are you confident that you would be able to grow even if it is low growth on the high base that you have in the second half also for these products or are you seeing a sequential deceleration for every month it is getting tougher to match up with the last year consumption levels that were there?

Mohan Goenka: Arnab, let us state this question in two parts, one is the balm and excluding the balms, so what we are seeing because balms had really accelerated during the COVID period and what we have targeted this year is that we are trying to maintain our numbers of last year because on a two-year CAGR basis, balms would almost will be at about 15%-16% even if we do not grow in the second half, so right now we are trying to protect our basis of last year that is the first challenge in balms because the numbers are extremely of last year, as far as the Healthcare division is concerned, Gulraj can correct me and what we are definitely expecting is a double-digit growth, despite of high base in immunity because we are seeing good offtake of Pancharishta and some of our other medico marketing products and our Zandu e-commerce division, so by and large, I think we have single digit growth if you include the pain balms for Healthcare division.

Arnab Mitra: Right and on pain balms just a follow up, so based on the trend of the consumer offtake that you are seeing we feel confident that you will be able to hold that base or it is a challenging situation, and you would require intervention like market share gain or distribution or other kind of things even kind of meet that flattish second half numbers?

Mohan Goenka: Arnab, as of now the demand in the month of October has been quite robust and we have been able to hold on our numbers of last year, so at this point of time, I will not say that and if you compare it to last to last year, we have almost grown at almost 50%, so we are holding the ground quite strongly and with the campaigns of Sonu Sood and Khali, I think we are attracting new consumers and we have also increased our budget significantly in pain portfolio, overall are not too worried very honestly for pain management.

Arnab Mitra: Got it and very helpful and my second question was on Boroplus, so you have made some effort to diversify your revenue stream beyond that antiseptic cream, so if you could give us some idea of are there some products where you are seeing continued traction which are showing promise and the effort to get Vasocare under the Boroplus range, if you give us some idea of what is the market that currently Vasocare has in that petroleum jelly now?

Mohan Goenka: Arnab, we had launched a complete hygiene range looking at the pandemic in mind but right now our focus are on two products, one is the Aloe Vera gel, and one is on the soap, these are the two products out of our entire launches which are showing some promise and we would keep on advertising these products. As far as new ideas for Boroplus is concerned, we are very, very bullish on the Boroplus soft new launch that we have done because the young consumers are looking for non-sticky products and Boroplus has a strong equity as far as antiseptic is concerned. There was a huge need gap which we think we would be able to fulfill and as far as petroleum jelly is concerned, we are very, very small. We only have about 2%-3% market share, so bringing it under Boroplus umbrella I think it will help both petroleum jelly and also Boroplus and we would be able to advertise as a range and we would be able to focus much more.

- Arnab Mitra:** Thanks, and just one bookkeeping question for Rajesh, this high other income that you have recorded in the quarter what is it pertaining to?
- Rajesh Sharma:** Arnab, we have earned some other income on account of our valuation gains on the startup investments some of the options which we are holding and that is the reason for high other income base in Q2.
- Arnab Mitra:** Thanks. That is it from my side. All the best.
- Moderator:** Thank you. We have next question from the line of Amnish Agarwal from Prabhudas Lilladher. Please go ahead.
- Amnish Agarwal:** I have a couple of questions. My first question is on the I think couple of questions have already been answered but couple of them are more, so the first being that looking at the current scenario and there is so much of inflation and Q3 usually is you can say high margin quarter for us, so how are we placed on this inflation front and what steps are we taking?
- Mohan Goenka:** Amnish, you are right they has been a cost pressure over the last few weeks particularly on the waxes, so we have taken some price increase for our winter portfolio but definitely we would see some decline in our gross margins in Q3. We would still try to balance that out through our advertising and other cost measure initiatives, so on a yearly basis despite on so much of increase in our input cost on a yearly basis, we are not expecting more than 80 basis points to 100 basis points fall in our gross margins that is what it looks like.
- Amnish Agarwal:** Do you think that your input cost pressure has peaked for you or as we long we have week on week business will further increase in inputs?
- Mohan Goenka:** For now this is at its peak, I do not see a further increase from here and we are also doing lot of cost reduction measures parallely because of this input cost pressure.
- Amnish Agarwal:** My next question is as Rajesh said that this other income gain is on valuations on start up holding, is it your mark-to- market gain or is it that we have sold some stake or something?
- Rajesh Sharma:** No, Amnish, it is mark to market gains.
- Amnish Agarwal:** Can you quantify how much of the other income increases due to this mark to market gain?
- Rajesh Sharma:** Almost Rs.23 Crores – Rs.24 Crores is towards this mark-to-market gains.
- Amnish Agarwal:** Fine that is useful and finally on the new launches last year we had launched lot of new products in healthcare range even in we had gone in for hygiene products, home care

products. So, can you say identified three–four products where you see that there is significant scope to scale up and where you have been able to create some niche for yourself?

Mohan Goenka: We answered that Amnish that in Boroplus there are some products which we think are promising. We would keep on focusing on them. Unfortunately, Emasol has not done too well we would gradually phase that out and in some products, we are now launching aggressively in Boroplus Soft is an aggressive launch. In Fair and Handsome we are at launch some new products. We are bringing Creme 21 to India that should bring an incremental growth. So, these are some new initiatives that we are taking now.

Amnish Agarwal: How much of your topline will be contributed by the products launched in the last twelve months in the current year if you got any targets or indication?

Mohan Goenka: It was about 2.5%.

Amnish Agarwal: In the latest quarter?

Mohan Goenka: In this quarter?

Amnish Agarwal: Yes.

Mohan Goenka: In this quarter was 2.5%.

Amnish Agarwal: In the full year, the same number should be the number?

Mohan Goenka: It should be in the range of about 2.5% to 2.75%.

Amnish Agarwal: Thanks a lot.

Moderator: Thank you. We have the next question is from the line of Shantanu Basu from SMIFS Limited. Please go ahead.

Shantanu Basu: Most of my questions have been answered. Basically I wanted to know the current situation in Russia given the COVID impact that they have been facing recently and in Q2 you reported very good growth in Russia. So, what is the trend over there beginning October? What would be over there and what would be the trend going forward and on similar lines how would the other international markets perform? Second question is with respect to Emasol, just now you mentioned you plan to phase out some of the products. Can you please elaborate which products you plan to phase out because I believe the toilet cleaner

and the dish washers are doing well others are not if you can just complete on that, that would be helpful?

Mohan Goenka: Surely Shantanu, first I will ask the Emasol then I will ask Vivek to take on the international one. Emasol we are only focusing these two brands and particularly in modern trade and e-commerce. In the GT we are gradually phasing that out and our international Vivek would answer your question.

Vivek Dhir: In Russia our presence is largely in pharmacy, so pharmacy usually get lesser impacted due to lockdowns because those are the open outlets even during lockdowns and what has happened last couple of years when we formed our own company subsidiary in Russia we have taken direct control into the market, so impact is visible whatever goes which we are seeing in the marketplace are due to the structural changes which we had done, we have a better control in the marketplace today and we have expanded our field force in the current year and next to again we are planning to expand our field force the impact should be very minimalistic of these lock downs and we should continue to grow at a decent pace in Russian market.

Shantanu Basu: What about other international markets?

Mohan Goenka: Other international markets again depending on the geographies, in certain geographies like Sri Lanka we are taking a direct control into the marketplace, we are seeing very good results over there as well and Middle East we are investing which has given us little effect in supply chain disruptions in Q2 and we are expanding our local manufacturing in Middle East in coming quarters when the full range and more countries are going to be catered from there. So, we may see little bit of supply disruptions but long-term they are all accretive in both topline as well as bottomline. Similarly, Bangladesh again also we had gone through a little of bit restructuring which is going to be better for us in long-term. Otherwise, fundamental business growth is very decent in most geography except few places where because of either extended lockdowns or political disturbances like in Myanmar and Afghanistan are troubling us. We are yet to overcome over those issues but fundamentally business is doing well, and we see better future in coming quarters.

Shantanu Basu: Thank you very much.

Moderator: Thank you. We have next question from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Thank you for the opportunity and congratulations on a good set of numbers. In terms of the ad spend on an absolute basis also your ad spend has gone down from Q1 to Q3 and your guidance being for 16.5% for this full year. Are we looking at very impressive ad spend

Emami Limited
October 29, 2021

going ahead and also in the light when you said some gross margins pressures will be mitigated by way of reduction in the ad spend, how should one look at it?

Mohan Goenka:

Gaurav, as I said we have taken some budgets from our first half to second half particularly for brands which we could not advertise in the first half. Slightly you would see higher A&P spends in the second half compared to our last year numbers, but we are cognizant of that fact, and we are also cognizant of the fact that input cost pressures are there. We would definitely try to mitigate all these increase in expenditures through reduction in expenditure in other areas. Overall, I am not seeing much pressure on the margin fronts a maximum of about 100 basis points here and there. If the winter portfolio does very well because it contributes quite high on our margin, then I am not too worried on the EBITDA and other margin fronts. We will take the call once we approach to the market in the fourth quarter but fourth quarter but as of now, we would be aggressive on our A&P splits. Please appreciate in the last two years we could not advertise for Navaratna Oil particularly because the peak pandemic was hit during the summer season, so we have to be aggressive this year for Navaratna Oil.

Gaurav Jogani:

With regards to the distribution expansion initiative that you had taken especially for the rural side against targeting the full state. How had been the traction there, where are we on that and what kind of leads we have seen because of that?

Mohan Goenka:

Gaurav, this is very, very interesting because we know this here and I am extremely bullish on our project “Khoj” and the other initiatives on distribution that we are taking. Please hear to Vinod very carefully.

Vinod Rao:

Good afternoon, everyone. Rural we started off as a pilot in four states and just to test waters in terms looking at, we used an approach of a potential based expansion versus the typical population base expansion which most companies do. We are thoroughly encouraged with the progress. We have added close to 5200 towns in a short period of time we will end the year with more than 8500 towns close to 9000 towns and villages and we have been encouraged with this, all our matrices, all our action standards have been met and we are looking at advancing this from a three years’ program to shorten the entire coverage model in two years. This is really, really helping us drive growth for rural as well.

Gaurav Jogani:

Any colour that you can give in terms of the cost of doing this exercise, we saw this traditional challenge when go to a wholesaler where you are going directly. What kind of cost potential do you see and what kind of latent investments that you would expect going ahead?

Vinod Rao:

Cost to sales when you look at diminishing returns and when you compare it versus the current van cost to sales. In fact, this additional expansion that we are doing by going to a

Emami Limited
October 29, 2021

greater number of towns, we will be also looking at optimising the current van route. We are typically at a 18% cost to save in the van kind of markets the Khoj initiative is currently we are at 20% -22% cost to sales so that we envisage over the next two years' that will also start coming down in the 18% - 19% cost to sales range because we are looking at all the other action standards that in terms of our frequency coverage etc., and the optimization will help us consolidate the routes and deliver the right kind of cost.

Gaurav Jogani: In your earlier remarks you eluded to some numbers in terms of the distribution reach. If you can repeat that again if you do not mind, in terms rural presence that 5200 towns. How many direct outlets we reached and what kind of healthy outlets we reached if that numbers can be shared?

Vinod: If I just repeat that in the opening remarks what Mohan Ji had said is we have added 5200 rural towns in this year. This is still as on date and what I have added is we will probably end up at 8500 villages to 9000 villages this year and in a direct reach sense we will maintain our stores at 9.3 lakhs which includes both our direct and rural footprint with these additional 8000 odd towns, we will add close 45000 stores to 50000 stores by the end of the year.

Gaurav Jogani: That is very helpful. Thank you very much.

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

Shirish Pardeshi: I have few questions, the first question with the Fair & Handsome we just completed the re-launch. Tell me initial back the new product what we have rolled out and what is the response and has it gone to entire country or it is still in the verge getting implemented?

Mohan Goenka: Shirish, we have launched across India and new product and the new campaign has been there for quite some time now. But there is some pressure on the discretionary products and Fair & Handsome falls into that, but despite of that we have grown in the product in Fair & Handsome, but we are again aggressively launching our campaign now because the season is approaching now for marriage.

Shirish Pardeshi: My second question is on Healthcare Gulraj Ji what contribution comes from the ethical and ayurvedic other than OTC?

Gulraj Bhatia: For the Healthcare business ethical contributes to about 25% or so.

Shirish Pardeshi: That includes pure play ad with it?

- Gulraj Bhatia:** Excluding OTC, the medico parts, the doctor's part.
- Shirish Pardeshi:** Could you spend a minute I think since the time you have taken over, I have been personally seeing that the company is very positive. Where do we stand in terms of the reorganization in terms of the entire Healthcare business, in terms of the geographic expansion, in terms of coverage, in terms of product launches and what is the learning over the last two quarter to three quarters?
- Gulraj Bhatia:** From the Q2 period of last year, we did aggressive launches as you are aware Mr. Pardeshi. We had number of launches both in the immunity segment and some in the non-immunity segment. So, the immunity segment products such as Health Juices, Tulsi Haldi drops, Single herb tablets, Kwath powders did particularly well especially till about Q3 last year and in Q1 this year. But then after the pandemic came down, they came too much lower levels. We have also done some launches in both the Medico business and OTC business of other categories, which we are doing test market in some states, and we hope to gain volumes in the coming quarters. We have also done a reasonably good expansion in smaller towns in terms of ECO coverage. We are targeting our distribution coverage for the OTC business to go up by something like 20% this year, which should be in upcountry markets which we have been covering not to the fullest in terms of the market potential. We are also trying to scale up our e-com business, modern trade business both through increased listing coverages and also more marketing investments going in modern trade in online marketplaces and also on our D2C platform Zandu Care. Whatever we are seeing as some of the downside coming in due to the Corona immunity products, we are working on making up to increase distribution expansion, increase focus on NPD launches and gain some market share in some other categories where we have a relatively low market share.
- Shirish Pardeshi:** If I may ask one follow up on Mohan Ji's comment with that Healthcare speed at which we have grown has come down. Is that the traffic on Zandu online B2B platform is also seen for slower growth?
- Gulraj Bhatia:** We did see a bit of a slowdown in Zandu Care from July onwards because during the period of the last twelve months products like Chyawanprash, Kesari Jeevan many of the immunity-based products were doing very, very well and that is in line with what the market trends are also, so if you COVID time also many these categories have seen a slowed down so to that extent it is followed the market curve I have seen that.
- Shirish Pardeshi:** Mohan Ji, my question is on so far in last six seven months how much price increase we have taken and what is the weighted inflation which we are facing at this time?
- Mohan Goenka:** Shirish, we have taken roughly about 3.5% price increase.

- Shirish Pardeshi:** What is the inflation we are facing now?
- Rajesh Sharma:** Through the price hike we are maintaining our bottomline, our dollar profits we are maintaining but since our gross margins are so high, we are not looking at protecting margins, not taking Rs.3 price hikes for every Rs.1 increase in cost.
- Shirish Pardeshi:** Just last question, Rajesh, which are there, what is the amortization now which is left and if you can spend a minute how long will we be amortizing now?
- Rajesh Sharma:** Another three quarters. So bulk of the amortization would be over in another three quarters at the same rate. By the end of June 2022, we would be done away with our Kesh King intangible assets amortization and then a small quantum of the other intangible asset Creme 21 which we have would remain.
- Shirish Pardeshi:** For the full year, the tax rate would remain on the same range?
- Rajesh Sharma:** We can assume 20% - 21% in that range only.
- Shirish Pardeshi:** Thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** A couple of questions; if I recollect you were also focusing on large chemists which were 10000 in number, we were having focused approach to increase the contribution of top 10000 chemists any update on that? Secondly, on Kesh King Shampoos were around 20% of our overall sales is there a focused approach to grow that in percentage terms? Lastly on Zandu Healthcare, historically Pancharishta and Nityam have been around 70% - 75 % of sales. To help us understand better if you could dissect the turnover of Pancharishta and Nityam to Zandu last year during COVID times to give us a better picture of what the contribution of immunity products were and directionally for the Zandu Healthcare division are we doing incremental to grow structurally because it has one of the best products and it is a very solid brand over the next four five years what are we doing to double our sales in Zandu Healthcare division?
- Mohan Goenka:** Prakash first let me answer the Kesh King. In Kesh King range the Shampoo which was 20% contribution about two years back it has reached to 27% now. So, definitely the Shampoo is growing faster than the oil business and we have very recently only in the last ten days we have launched the anti-dandruff Shampoo in Kesh King that would further take away the percentages to about 32% to 35% in the next six to eight quarters that is the kind

Emami Limited
October 29, 2021

of approach we are taking for Kesh King Shampoo. As far as chemist outlets are concerned let Vinod answer your question and then I will ask Gulraj to take the HCD question.

Vinod Rao:

The chemist expansion is very much on our radar and what we are currently doing is we are segmenting the chemist basis, the chemist potential and the market potential of our participating categories and that will then give us a pareto chemist that we need to cover. We have tied up with agencies who give us the access chemist stores at village level and a city level, and we use concentration curves and even if you look at the data around 120 cities contribute to more than 75% of chemist business and that will be our focus in the top cities, the top chemists to improve our coverage and improve our quality presence.

Gulraj Bhatia:

Earlier we have had a very high dependence on Pancharishta and Nityam brands but over the last one year we have tried to grow the saliency in contribution of other brands also such as Chyawanprash, some of our new launches and we have seen some of the new launches do particularly well such products in the respiratory segment, products in the immunity segment and even in the health juices segment which we have launched. We are trying to broad base our portfolio to reduce dependence on couple of our power brands also. To answer your other question on what are we planning to do to sustain the growth at a structural level? We have been having increase in our coverage in retail outlets by about 20% which means that we are increasing our outreach not only in OTC business but even in the Medico business where we are going to more doctors and more outlets and thereby reduce our dependence on the wholesale business, the wholesale segment. This particularly helps us not only for the power brands but even for the NPD launches that is at one level. At another level, we are working significantly in a very focused manner with our internal CFT teams, with our R&D teams to continue to develop products which are differentiated which have basically much better consumer connect in terms of the product proposition and the benefit proposition and we have seen some launches which we have done in the last twelve months which are paying results in terms of both NPD launches and improvement on our current power brand extension. At the third level we are continuing to invest on improving the business through new product launches and existing launches on our e-com platforms and that will be a continued focused area for us because we do believe that with the Zandu brand name and equity we can increase our focus and reach out to the millennial in a much better manner through the e-com marketplaces. So, we have taken significantly higher growth in these channels.

Mohan Goenka:

Prakash Ji, just to give you one data about two years back Pancharishta and Nityam were almost at about 50% of our Healthcare business and right now it is at about 35%. So, the dependency of Nityam and Pancharishta has come down significantly.

Prakash Kapadia:

The point of the ethical division what is the growth opportunity were because some of the products which you mentioned have gained acceptance and feedback has been very good.

Emami Limited
October 29, 2021

We were earlier also trying to launch certain diabetic products and ethical based products in certain key markets and Vita testing was going on. Is that going to be a new driver to higher growth?

Gulraj Bhatia:

There is an equal opportunity in both the generics and the branded ethical's business. The short-term growth opportunity clearly lies in the generics business because that is the business which we have been under leveraging so far because of maybe manpower and our own coverage issue. So, in the next six months to twelve months we do see higher growth coming and we have already seen those growths coming in the generics and the classical business. The ethical business or the branded ethical business takes some more time because it requires a lot more effort to be put in to display other brands on the doctor's prescription list. So, that is a slightly higher or a medium-term opportunity which also requires higher investments. So, we are working on both the opportunities as I said in the short-term to medium-term we will see more growth in the generic classical and then the medium-term to long-term on the ethical business. But there are clearly opportunities in both the segments.

Prakash Kapadia:

That is helpful and one just one data keeping question. Rajesh ji, if I look at networking capital there has been a slight increase on year-on-year basis H1 versus H1 of last year anyone offs here or is its higher inventory?

Rajesh Sharma:

It is primarily on account of some higher inventory due to building up stocks for the winter season and also some bits of our receivables have gone up because of good institutional business and some bit of new launches, so some credit is there in the market that contributes to these two businesses.

Prakash Kapadia:

Thank you and wishing all of you a very Happy Diwali and a Prosperous New Year. Thank you.

Moderator:

Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments. Over to you, Sir!

Mohan Goenka:

Thank Percy. Thank you, all the participants, for joining us in this meeting. Wishing you a good health and a very Happy and Prosperous Diwali to all of you.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining with 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