



emami* limited

Nov 02, 2017

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

The Secretary,
The BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai - 400 001.

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

Dear Sirs,

Sub: Transcription of Investor's conference call held on 26th October 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 Transcription of Investor's conference call held on 26th October, 2017, subsequent to declaration of Unaudited Financial Results of the company for the Second quarter and Half year ended 30th September 2017.

The aforesaid information is also available on the website of the company www.emamiltd.in

This is for your information and record.

Thanking You,

Yours faithfully,
For Emami Limited,

A. K. Joshi
Company Secretary & VP-Legal

Enclo: a/a



“Emami Limited Q2 FY2018 Earnings Conference Call”

October 26, 2017



ANALYST: MR. PERCY PANTHAKI - IIFL CAPITAL LIMITED

**MANAGEMENT: MR. MOHAN GOENKA – DIRECTOR – EMAMI LIMITED
MR. RAJESH SHARMA – SENIOR VICE PRESIDENT
EMAMI LIMITED**

Moderator: Ladies and gentlemen good day and welcome to Emami Limited Q2 FY2018 earning conference call hosted by IIFL Securities. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask the 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: Hi good morning everyone. On behalf of IIFL Securities I welcome the management of Emami Limited. We have with us Mr. Mohan Goenka and Mr. Rajesh Sharma and I would like to hand over to Mr. Goenka to take us through the quarter results. Over to you Mr. Goenka!

Mohan Goenka: Thank you Percy. A very good morning friends. I welcome you all to this conference call on Emami’s results for the second quarter ended September 30, 2017. I am happy to inform you that after a challenging first quarter that witnessed some GST-led wholesale destocking we recovered substantially to report a good second quarter.

As you are aware that due to changes in accounting treatment of indirect taxes post the implementation of GST from July 1, 2017, the reported net revenue growth at 8% for Q2 FY2018 is not comparable with Q2 FY2017. Accordingly comparable figures have been reported including GST and VAT to reflect like-to-like revenue growth at 14%. Post GST although the wholesale channels are yet to recover completely from the impact, the company reported steady growth during the quarter delivering a robust volume growth of 10%. Our domestic business grew by 14% and international business led by SAARC and Africa grew by 22%. Destocking in CSD and wholesale channel disruption; however, continues.

In the domestic business Boroplus range grew by 38%, Navratna range grew by 16%, pain management grew by 15% and male grooming (including Fair & Handsome and HE grew by 12%); however, Kesh King range declined by 16% due to the challenging trade sentiments in the wholesale channel. During the quarter, the company continued its focus on innovation by launching Fair & Handsome Laser 12 Advanced Whitening Cream, Diamond Shine Luxury Crème Hair Colour and Boroplus Zero Oil Zero Pimple Face Wash.

On the financial front EBITDA at Rs.201 Crores grew by 15%, cash profit at Rs.174 Crores grew by 20% and PAT at Rs.99 Crores grew by 49%, gross margin stood at 67.3%, EBITDA margins at 32.1% and PAT margins at 15.7% in this quarter.

In H1 FY2018 we have added nearly 60000 outlets to expand our direct reach to around Rs.7.9 lakh retail outlets. Our plan is to reach Rs. 8.3 lakh outlets by March 2018. In line with these efforts, our contribution from the wholesale channel has reduced from 50% to 42% now. As you are also aware that we have already initiated sales force automation by arming our sales force with handheld devices to improve the quality of market work that provides real-time retail information. We have also enhanced our focus on modern trade and e-commerce channels, which today have become an integral and important pivot of growth for the company. We have also appointed an agency to drive aggressive growth in the segment.

Going forward we can see early signs of recovery in the overall industry environment and stabilization of the post GST scenario. We expect a momentum to continue in the balanced period of this fiscal. We also expect that normal monsoons, increasing rural income, benign raw material cost, enhanced government spending and streamlining of GST to help in generating good growth on medium-to-long-term basis. Further we are optimistic of our new launches to receive encouraging consumer response in the days ahead. With this brief, I now open the Q&A and invite the questions. Thank you.

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

Abneesh Roy: Congrats on good recovery and volumes. My first question is on the rural demand. Do you see strong recovery now starting because yesterday also MSP price hike has been decent farm loans waivers have been happening, election year coming and GST and demonetisation now stabilizing also I think you are working on direct reach expansion also so do you expect strong recovery or will it be very gradual and slow recovery in the rural?

Mohan Goenka: Abneesh, surely we have seen some recovery even before this announcement of MSP so because the monsoon has been good this year so hopefully I expect the recovery to continue but what we have noticed that the recovery is not all around, it is in few pockets particularly in the north. It is better than compared to South so let us see if I am sure the government is taking a lot of initiatives for the rural sector so if the momentum continues like this then the recovery could be slightly better than what it is today.

Abneesh Roy: And Sir what is the reason for the north and south is it because the elections etc., or monsoon has been better their what is the reason for south not doing well?

Mohan Goenka: So south in some part of south the monsoon was a little erratic so that could be the only reason why south has not done so well particular is the rural belt.

- Abneesh Roy:** It is not competitive issue right that more competitive intensity in south?
- Mohan Goenka:** No it is nothing to do with competition.
- Abneesh Roy:** Sir on direct reach if we could elaborate how plans are proceeding on increasing direct reach in rural?
- Mohan Goenka:** We had taken this initiative almost about a year back and that has really yielded good results. As I mentioned in my concall also we have expanded 60000 new outlets and we are adding another 50000 outlets in the next six months so this would take us to almost Rs.8.3 lakh retail outlets so as of now after reviewing this we will take the next round of expansion so we are very, very happy because this was planned effort and our dependence on the wholesale has reduced significantly in this quarter. Going forward, I have maintained that we would attempt to bring it down to 35% from the wholesale and we are very hopeful in achieving that.
- Abneesh Roy:** What the timeline for that 35%?
- Mohan Goenka:** So by March we expected it should come down below 40% and then may be in next one year it should be about 35%.
- Abneesh Roy:** Sir my second question is on Kesh King when do you see recovering to that strong number of around Rs.80 Crores on a quarterly. Why I am asking this is from post acquisition we have seen most quarters, there is some issue. If I see Hindustan Unilever's recent acquisition also Indulekha they have done really well in your case why still the issue is there? You mentioned rural recovery direct reach expanding wholesale reducing so will all this led to that Rs.80 Crores kind of number coming back on quarterly run rate?
- Mohan Goenka:** No, we are very hopeful. This is very, very important brand and as you have rightly said that the other brands are growing so definitely consumer traction is there. We have also launched a new campaign for Kesh King, which has been very recently about a month back so I think once the wholesale channel recovers then Kesh King would come to the growth path and we are hopeful by either December or by March wholesale should completely recover so I feel that Kesh King post recovery of wholesale we should see growth.
- Abneesh Roy:** Sir is it just wholesale issue because you would have lot of market share to Kesh Kanti right in that pain segment similar pricing and so they also have a lot of same issues so would you have lost lot of market share because Kesh Kanti seems to be growing?

Mohan Goenka: Interestingly we have not lost share rather we have grown in market share so it is more of the distribution issues then the consumer led issues.

Abneesh Roy: I will come back in the queue Sir.

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

Amit Sinha: Thanks for the opportunity Sir. Sir any guidance for the revenue growth for the next two quarters?

Mohan Goenka: In my last concall, I had maintained that for the nine months, we expect to grow at about 16% to 17% so we maintain the guidance that hopefully we should be able to do about 16% to 17% topline growth.

Amit Sinha: Okay and the pricing growth for the quarter was around 4% that should continue to remain right so basically you are guiding for a volume growth of close to 13%-14% because this quarter was little weaker so combined 13%-14% for the next two quarters?

Mohan Goenka: Right.

Amit Sinha: Okay Sir secondly is it possible to share revenue growth or volume growth for Fair & Handsome Cream and Pancharishta?

Mohan Goenka: So for benefit of all I will give you. So Fair & Handsome, the volume growth was about 4% and value growth was about 10%.

Amit Sinha: Pancharishta if continue to decline on significantly?

Mohan Goenka: Pancharishta we have seen some bit of a decline. Pancharishta yes volume decline is about 13%.

Amit Sinha: Okay and Sir last question from my side is after the new launch of Fair & Handsome Laser have you seen any uptick in the volume growth?

Mohan Goenka: Surely it is a very recent launch and we are very happy the kind of placement we have got in major outlets we are very happy with that. We have just started our campaign it has been just one month, but we are very excited I think this brand can become a big brand.

Amit Sinha: Okay a related question here is since the male grooming range has grown by 12% basically, which are the other products, which are doing well?

Mohan Goenka: So the only other brand is HE.

Amit Sinha: HE exactly so that is doing around and what will be the contribution of HE in male grooming range?

Mohan Goenka: It is about 10%. 90% is Fair & Handsome and 10% is HE.

Amit Sinha: Thanks a lot Sir. Thank you very much.

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

Arnab Mitra: Mohan Ji, Congrats on I have seen a recovery in the volume growth. My first question is on the new launches side so we have seen your entry into the Hair Colour segment, which already got two large players in that segment so what is the thought process of entering in this kind of category and how do you think your product or your proposition will be different than the others?

Mohan Goenka: What we feel as you rightly said it is very big category and we see an opportunity in the Hair Colour so we are trying this thing because I think our product is superior what we have tested internally and pricing is also very, very competitive so with our new distribution and marketing, I think we can create sizable market so let us see we have always wanted to be in the hair care space and that is why we had acquired Kesh King also so this is in lined with our overall strategy of entering into Women's hair care space.

Arnab Mitra: Actually my question is also because this is a category were normally a lot advertising investment needed to establish the brand so I mean is it right now more of pilot test and we kind of approached very well and tested out in one or two places and then spend really big amount of money on it?

Mohan Goenka: We have already done pilot but this is now all India launch so we would be aggressive as far as Hair Colour are concerned.

Arnab Mitra: Secondly just wanted to understand in cooling oil now have couple of variants in cooling oil under Navratna like Almond so what is the thought process here because cooling is normally not seen as nourishment oil now we are adding some nourishment ingredients in

its and are you seeing some consumer feedback in these variants which are promising or it is very early to say if these things are making a difference?

Mohan Goenka: These are very small variants as of now so because in India, certain states behave very differentially so these almond is particularly for some markets where we think because people everywhere do not use cooling oil or red color oil so their they used only a coconut or almond oil. So the same benefit from Navratna we have given into almond oil. Just to try it out in those markets only.

Arnab Mitra: Sir on this distribution and the wholesale channel thing so I am sure you will not exactly have a number here but if the level of stock was 100 before demonetization and it fell probably at a GST point. Where are we in that restocking phase are we kind of more than half year done in terms of how much restocking was to happen and do you think they can be lot more restocking in the December quarter as whatever you are seeing in October and going ahead?

Mohan Goenka: Arnab, you are right. I cannot give the exact data but our understanding is that almost 70%-75% restocking has happened, but this time we are seeing very different trends from different zones.

Arnab Mitra: But the restocking are seeing primarily probably it has happened only a little bit has left to happen?

Mohan Goenka: Almost 75% is done now.

Arnab Mitra: Lastly one question last year on the margin side to do with the GST so the excise refund from the excise zone are you booking 58% of GST on value added or is that hit over what you are current exemptions were so essentially will you have to take a price because the exemption available now on the refund is lesser than in the past?

Rajesh Sharma: Arnab we are working on the modalities and analyzing to impact, but we also feel that the government has not understood the right perspective and that the government would have to review the decision. But as of now we have factored just the central government component; 29% of the IGST paid.

Arnab Mitra: Okay Sir in this quarter that much is booked as a refund?

Rajesh Sharma: Only the central government component.

- Arnab Mitra:** Thanks that is from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Vivek Maheshwari from CLSA. Please go ahead.
- Vivek Maheshwari:** Good morning. My first question is on Mohan Ji your comment about this time different zones are behaving in a different way, when you say this time are you referring is you benchmarked a post demonetisation scenario?
- Mohan Goenka:** Yes, I am referring from post demonetization. For the last three quarters markets because markets are behaving very differently, like even post demonetisation we saw the faster recovery in south, this time in wholesale we are seeing slow recovery in south. We are doing very good in the northern areas and some bit of it in the eastern areas also. So it is not one trend what we are seeing.
- Vivek Maheshwari:** I am sure your teams would be on the ground to explore the reason for this because in our understanding also in terms of digitization or in terms of let us say adaptation to GST plus informal economy resilience should be much higher in north and east so what is the reason why it is behaving so, why is it so counterintuitive then? Anything you have picked up on that?
- Mohan Goenka:** I cannot really detail this out Vivek. It is very difficult for me to say there are multiple factors because how you adopt to GST and digitization plus monsoon so there are multiple factors, which has played in.
- Vivek Maheshwari:** Okay I maybe take offline with you this one. Second on revenue growth you know reported versus actual, intrinsic is very different, I am sure the corresponding entries will be in the cost side. I am specifically interested in knowing advertising which is flat Y-o-Y what will be the like-for-like increase in advertising assuming there were credits in this quarter versus the base there will be service tax element? Like-for-like ANP will be how much?
- Rajesh Sharma:** Yes Vivek, so like-to-like A&P should be around 10% higher for this quarter because post GST during this quarter we have taken entire credit of the GST in this quarter unlike the corresponding quarter where most of the service tax element had to be expensed out.
- Vivek Maheshwari:** Okay that is comforting. So like-for-like it is of 10%, as against reported which is flat?
- Rajesh Sharma:** Yes.

- Vivek Maheshwari:** Okay that is interesting. Third Mohan Ji do you think worst is behind for international?
- Mohan Goenka:** So this quarter international has done slightly better than our expectation. We expect international also to do about 16% to 17% growth.
- Vivek Maheshwari:** In the second half?
- Mohan Goenka:** Yes.
- Vivek Maheshwari:** Okay got it. Last one although you did comment about health care and Pancharishta specifically but is it only because of wholesale or overall when you look back, you invested a lot of time money in healthcare range do you think it is perhaps early in India or there are certain other issues, which is why CSD may take a longer than you originally thought or it is just wholesale related issues?
- Mohan Goenka:** No for healthcare it is not too much of wholesale-related issues we have to rework on our strategy, which we have already formed now and you would see some exciting offering coming in the healthcare. So we have learnt from what we have done in the past and we have almost corrected everything. So healthcare in India we think it is of a great promise and Zandu has to lead the healthcare way so you would see some good offerings as I said from healthcare side.
- Vivek Maheshwari:** Okay and anything specific on Pancharishta?
- Mohan Goenka:** Nothing very specific we have just revamped our advertising, which would come in this quarter.
- Vivek Maheshwari:** Even Pancharishta wholesale dependent, is my understanding correct or no?
- Mohan Goenka:** No it is absolutely wholesale dependent but it was even before the demonetisation that we had seen some bit of a slow down in the Pancharishta so I just cannot say it is a wholesale issue.
- Vivek Maheshwari:** Okay got it Sir. Thank you and all the best.
- Moderator:** Thank you. We have the next question from the line of Chanchal Khandelwal from Birla Mutual Fund. Please go ahead.

Chanchal Khandelwal: Mohan Ji, congrats on good set of numbers. I wanted to actually ask on healthcare, which Vivek was asking before. Healthcare growth of 2% given the market opportunity and given what we have been trying for last 12 to 18 months where is that we are not able to get it right, which are the categories you are working on if you can just highlight more, because this is a higher gross margin product, if I am not wrong so if you can just tell us a is it the channel, which is not picking up or is it that the recommendation by the ayurvedic practitioner where is the problem happens?

Mohan Goenka: Chanchal that strategy we had tried it out in one market, which did not work as per our expectation. Now taking learning from that strategy we have formulated a new strategy for the healthcare. We as a company have maintained we are extremely bullish on the healthcare side and we have some new offerings, which of course they cannot spell out but I feel that we are going back to our basics what we had done in the past we would continue to do in the healthcare space. So you would see new launches with high decibel advertising in the healthcare. Let us see with this new offerings and new strategy with the good advertising should give us a growth in the healthcare.

Chanchal Khandelwal: So will it be pan India or you want to test market now have you decided to launch in pan India, where are you basically on this?

Mohan Goenka: No for every product we do a pilot then only we rollout nationally.

Chanchal Khandelwal: So meaning piloting, you mean to say that you will do pilot in next six months?

Mohan Goenka: Yes we are piloting some of the products in some markets in this quarter and then we will roll it out nationally.

Chanchal Khandelwal: Sure understood. Secondly on the male grooming I mean you seem to be getting it right what is the big plan here so you have deodorant, face wash any other categories you have to launch?

Mohan Goenka: This quarter we launched the Fair and Handsome Laser; it was an extension of Fair and Handsome cream. Let us see the results of the laser then we would see extensions in Fair and Handsome. But yes, male grooming is a very I think again it is a big opportunity and we have seen growth after few quarters so we will continue our focus on the male grooming with a lot of new offerings. Overall in my last concall also I had said that as a company we are focusing on a lot of new products and also on our existing products. So overall I feel things are in the right direction so with the good advertising we will see a double-digit volume growth.

Chanchal Khandelwal: Sure Sir. Lastly modern retail how big it is today because that channels seems to be growing fast and how are we placed there?

Mohan Goenka: Yes, so we are growing aggressively on modern trade. That is in this quarter our modern trade growth is almost in the tune of about 40% so presently our contribution from modern trade is about 5% to 5.5%, which has increased from 4% and also e-commerce we have put in lot of efforts in the last four five months so that is also growing exponentially.

Chanchal Khandelwal: Sure. Any inorganic opportunity open, I mean anything you are looking for in next six months?

Mohan Goenka: That is a very difficult question. It is very difficult for me to give. When it happens we will come to know. But as of now we are focused on organic plus the new launches that we were doing.

Chanchal Khandelwal: With demonetisation and GST any small brands any brand you are eyeing up anything has opened up or the focus is still organic?

Mohan Goenka: No focus is very much on the organic side.

Chanchal Khandelwal: Thanks Sir. Wish you all the best.

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

Percy Panthaki: Mohan Ji, my question is that you are expecting 17% kind of sales growth for the second half of the year out of that 17%, how much do you think could be the contribution of new products?

Mohan Goenka: In the second half it should be more than about a percent to percent and half, Percy.

Percy Panthaki: Okay so you expect around 15% to come from the existing products and this quarter your sales growth is 14% despite a significant impact of restocking so next quarter you are restocking impact will be very small and in Q4 it will also be almost zero so you are expecting sales growth to actually accelerate from this level marginally despite no benefit of restocking, so how do you think this could be achieved?

Mohan Goenka: As I said that we are seeing traction. If you would see some of our main brands like Navratna, Fair and Handsome, Boroplus and these main brands they have really fared well

and we are seeing good traction. It is not just restocking we are also seeing a momentum coming in from rural belts and even at the consumer off-take level. So our secondary sales have been much better than our primary sales. So that gives us a confidence that and also please note that last year the base because of demonetisation is also lower.

Percy Panthaki:

Okay understood. Sir given that you have been talking about new launches also they will not contribute much in terms of sales because it always takes some time to get that brand going but if you are launching new brands you would be spending quite a lot on A&P and this year you do not have any benefit on gross margin so my question is if your A&P is going to be aggressive and your gross margin is sort of going to be not driver then at the EBITDA margin level is there any risk of compression for the second half of the year?

Mohan Goenka:

Percy our focus is very clear. We have to get double-digit volume growth so company is all out effort is to ensure that we get to revenue growth, so I really cannot say if EBITDA margins would contract. Let us see because these are peak seasons. Boroplus is doing exceedingly well, which is a very high margin product. If high margin products continue to do well then I do not think there would be any pressure on margin. We can spend that much money on new brands. As of now I am not too worried about my EBITDA margin contraction.

Percy Panthaki:

Sir understood. Thanks a lot and that is all from me.

Moderator:

Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.

Tejas Shah:

Hi Mohan Ji thanks for the opportunity. Mohan Ji for last two years we are seeing relentless pursuit of increasing a direct reach, so just wanted to know for last one year after this whole disruption started what would be the growth rate delta between direct reach and the wholesale trade, so where we are servicing directly has it grown much higher rate than what we are servicing from wholesale today?

Mohan Goenka:

Tejas, this direct reach that we have increased these are all new outlets, which we were not covering so we do not have data for those outlets.

Tejas Shah:

Yes, I got it so they are new in the system for you.

Mohan Goenka:

Yes these are new in the system so whatever incremental business I am getting from these outlets are all incremental.

- Tejas Shah:** Sir the point I was trying to understand that some of the brands like Kesh King where we are seeing that the problem is not at the consumer end but largely because of trade angle so are these brands doing very well in the categories or in the channels where we are directly servicing the channel?
- Mohan Goenka:** So unfortunately Kesh King we only sell 25% through our direct reach balance still goes through the wholesale. So that is under a lot of stress. See also as I said our wholesale contribution has come down to 42%, it is not only because our direct reach has increased because wholesale contribution as overall come down because of destocking. I am not very sure if in the next quarter it may if the wholesale fully restock it may go up to even 45% again.
- Tejas Shah:** Sir second if you can comment on CSD channel has it bounced back?
- Mohan Goenka:** Yes, so for CSD definitely this month has been good that is the month of October so if you go by the trends of October then I am sure we would see the recovery in this quarter.
- Tejas Shah:** But is there any structural change in the quantum as inventory CSD was carrying or will it revert to normal level?
- Mohan Goenka:** They have reduced substantially their inventory levels.
- Tejas Shah:** Sure. Couple of bookkeeping questions, debt on books seems to have increased from March ending so if you can comment on that?
- Rajesh Sharma:** So Tejas overall net debt has reduced despite our investments on capex and dividend payout this year. So last year we had a net debt of around 390 Crores and by the end of September we are at around 370 Crores. So some bit of short-term debt has increased and long-term debt has been repaid and we expect to be almost debt free by the end of March 2018.
- Tejas Shah:** Sure that is good to hear. Sir lastly we used to share market share data in our presentation till Q4 FY2017 and we stopped so just wanted to request if you can restart the practice because it gives us some perspective on category growth rate versus ours.
- Mohan Goenka:** Tejas very soon because we are yet to finalize terms with Nielsen for last two quarters ourselves have not taken the Nielsen report.
- Tejas Shah:** That is it from my side Sir and all the best.

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

Prakash Kapadia: Thanks for taking my question. Congrats on the decent volume growth. Sir wanted to get some more clarity on Kesh King in your remarks and the previous participants you have been mentioning about the challenges in the wholesale trade but I am not able to still get to this being a specific solution product targeted at urban population we tried SKUs we have tried sachets so why is it volatility continues because I would guess at least urban kind of markets the challenges should be lesser despite the wholesale dependent and what are we trying to change this volatility and get growth back as per our expectation?

Mohan Goenka: Firstly Prakash this product is more sold in rural areas than urban; though it is an expensive product but the market is skewed more towards rural. Secondly as I said it takes time though we have a very large direct reach but because always it was sold through wholesale so the retailers have the habit of buying through the wholesale market because there is a sense that they get it cheaper from the wholesale market. So this is the only product where our contribution is 75% from wholesale till the time we reduce this as I said it is not a consumer led issue it is absolutely distribution led issue. So whatever changes we had to do on the brand, we have done everything we have launched a new campaign, we have launched small size, we have launched wherever we can reach those are no issues. Before the demonetisation you would have seen we had a very handsome growth in Kesh King so just post demonetisation things have little bit stabilized. It may take a little while there is no structural issue with the product. Consumers are really very happy. We have done all the research possible so let us give some time for the growth.

Prakash Kapadia: May be by this year-end you would expect things to normalize?

Mohan Goenka: Yes, we expect the wholesale channel to recover by March completely so if that also recover then we would not see this de-growth atleast we would see the growth.

Prakash Kapadia: In healthcare you have done test marketing in South of India for digestive, heart care and diabetes so any specific vertical, which now we are targeting and you did mention about some of the newer product launches which are going to happen soon so is it across these portfolios is it specific?

Mohan Goenka: We have changed our strategy Prakash Ji from our learning what we have done in south so it would be completely new offering.

Prakash Kapadia: Okay then that should get launched by when and in South of India test only?

- Mohan Goenka:** Some would be in this quarter and some would be in the next quarter.
- Prakash Kapadia:** Okay and any firm plans on honey it is been some while we have launched, we were obviously a good product so any traction any perspective you can give us on the honey?
- Mohan Goenka:** Yes, so honey also as you know honey there has been a little price war in honey market in this market and our product is priced at a premium so we want to stay this way only and it may be a slow start but we are very happy with the way the things are progressing because we have got some very loyal consumers so it would be more word of mouth than purely advertising led strategy.
- Prakash Kapadia:** Understood. You obviously did mention about Zandu also so going forward Zandu will be a big growth driver to our overall double-digit volume growth, which you are targeting over the medium term is it fair to say Zandu for double-digit to come Zandu products and newer initiatives have to really do well for us is that a fair assumption?
- Mohan Goenka:** Yes absolutely. Zandu Healthcare is a big, big focus for us.
- Prakash Kapadia:** Great Sir. Thank you and all the best.
- Moderator:** Thank you. The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.
- Naveen Trivedi:** Good evening to everyone. Congratulation for a strong numbers this quarter. Sir my first question is on the first half revenues are flat like-to-like basis despite our Q2 numbers are good while the retail demand was healthy during the last two quarters so can we assume that the secondary growth for us is significantly higher than the primary numbers?
- Mohan Goenka:** Yes, I had mentioned that our secondary has done better than our primary numbers absolutely you are right.
- Naveen Trivedi:** Because we had lost around 100 Crore revenues in Q1 and our Q2 revenue addition on like-to-like basis was 70 to 75 Crores and you earlier had mentioned that 70% restocking happened so on that number it is likely that the second half number can exceed much better than what we are even guiding for 16%-17%?
- Mohan Goenka:** Let us see because we are slightly also dependent on the season so if how does the winter fair so if winter is very good then we may see one or two percent more growth. And also how the wholesale bounces back though it is improving.

Naveen Trivedi: Certainly. Sir for the Kesh King my reading is right the first half of last year also we had a very high base of I think we had grown by around 100% that time so that is the reason we are witnessing sluggish growth in the last two quarters or it is a really a wholesale driven issue?

Mohan Goenka: No this is totally wholesale driven issue. There is nothing to do with the base because if you would have taken the earlier number then we were going at about 20% to 25% and not 100%, because first quarter there was no Kesh King numbers.

Naveen Trivedi: But I am saying the Q1 and Q2 FY2017?

Rajesh Sharma: In Q1FY2017 Kesh King was inorganic for us because we acquired Kesh King just towards the end of June month in 2015. So in the first quarter last year we got lot of inorganic growth for Kesh King; so that 100% is not factoring inorganic growth.

Naveen Trivedi: Okay what I am trying to understand is now we had changed our Kesh King guidance to around 13% to 14% on a steady rate so considering that number for the yearly, assuming the quarterly deviation will continue in Kesh King but if we assume on a steady rate if we can grow by 13% to 14% then I think next two quarters our recovery can be very fast in Kesh King?

Mohan Goenka: We have not given any specific guidance for Kesh King; the guidance is for the company.

Naveen Trivedi: No Sir in your earlier concall you had said that the high growth of high double-digit growth is not possible in Kesh King but 13% to 14% is something, which is doable number in the coming years?

Mohan Goenka: Yes, so but this quarter we have not done so well in Kesh King. Let us see because till the time the wholesale recovers completely for Kesh King it would be difficult for us to give exact data for Kesh King.

Naveen Trivedi: Sir just one bookkeeping question if you can just give how has been the Boroplus cream growth during the quarter and cooling oil growth during the quarter?

Rajesh Sharma: If you look at the category - the Boroplus category data and Navratna category range data those two brands are the major brands in that so it is in line with the overall brand growth data.

Naveen Trivedi: Thank you so much and that is all from my side.

- Moderator:** Thank you. The next question is from the line of Kaustav Pawaskar from Sharekhan Limited. Please go ahead.
- Kaustav Pawaskar:** Good morning Sir. Thanks for giving me the opportunity. Sir my question is on the wholesale recovery you mentioned that 70% to 75% of wholesalers have recovered in terms of trades. Can you just go more deep into that I mean to say region specific because you mentioned that north has seen faster recovery than south so can we say that in north the recovery is almost 80% to 90%?
- Mohan Goenka:** I do not have that data handy but again in north like Delhi is slightly lagging behind. It is very specific again at if you come to state levels the behaviours are very different. So Delhi Mumbai wholesale, Delhi wholesale, Patna wholesale, Kolkata wholesale these are not performing very well. Please wait for another two quarters I think it would more or less stabilize across.
- Kaustav Pawaskar:** Sir but then what is the strategy or what exactly you are helping these traders to come back in the business any specific thing you are doing which is different than what the other companies are trying to do?
- Mohan Goenka:** There is nothing that we can help. We can only incentivise them to sell our products. The help has to come from the government only and the way the government has understood the issues and they are also coming up with solutions.
- Kaustav Pawaskar:** I was talking specifically from incentivizing these channels. Sir even though you are incentivizing it they are lagging behind in terms of getting back in trade so it is just an understanding what is making them is the real problem or it is something else to do with it?
- Mohan Goenka:** Please understand it is a very big structural change these are unorganized traders. It takes a while for them to understand the whole mechanism. The progress has been very good, I would say as of now and we are sure that in the next two quarters the entire wholesale will be back, if not all atleast 90%-95% would be back.
- Kaustav Pawaskar:** Second question is on the volume growth on Boroplus and Navratna if you could share the volume growth numbers for this quarter?
- Mohan Goenka:** On the range, I have said the Boroplus had grown at almost 33% in volume and Navratna volume growth is about 16%.

- Kaustav Pawaskar:** Sir any capex details if you can share for FY2018-2019 any specific capex plan you are planning to do?
- Rajesh Sharma:** So Kaustav this year we should be doing a capex of roughly 150 Crores and from next year onwards around 100 Crores would suffice.
- Kaustav Pawaskar:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.
- Kunal Vora:** Thanks for the opportunity Sir. On international business like last year you had a very low base in second half FY2017 so do you think you can get back to the sales levels which you were doing in fiscal 2016 or would that be difficult?
- Rajesh Sharma:** As Mohan Ji said earlier in the second half also international we are looking at a double-digit kind of a growth so overall what we see from international is 16%-17% growth can be maintained.
- Kunal Vora:** So that itself be significantly lower compared to fiscal 2015 levels right because like last year we have a 25% decline so even on that if you do 15% you are still lower compared to fiscal 2016 levels?
- Rajesh Sharma:** So 16%-17% as of now looks achievable but let us see how much more are we can makeup. But looking at the geopolitical problems across the various geographies I think we will do a good job if we deliver atleast 16%-17% kind of a growth.
- Kunal Vora:** Understood. Second question on what is the contribution of sachets versus larger packs has it changed over the last one year?
- Rajesh Sharma:** No it has not changed significantly over the last one year so it remains at around 25%-26% level for the company.
- Kunal Vora:** Last question you are targeting direct distribution reach expansion by about 15%-20% so would it have any impact on margins and if not why you have not aggressive about direct distribution reach in the past?
- Rajesh Sharma:** It is not right to say that we were not aggressive earlier; it is only that post demonetization we have fastened the process. So earlier also we have been investing on our distribution

reach regularly and it is a function of size so it is not that we should target a million outlets or million plus outlets immediately for FY2018 or 2019, which we can obviously do but then it will be come at a additional cost; so it is a function of size and you have to look the cost benefit and increase the reach gradually.

Kunal Vora: So the current pace of additions, which will be 15%-20%, will that continue going forward?

Rajesh Sharma: What we have targeted as we have said earlier is that we want to reach to 8.3-8.4 lakh outlets by the end of March 2018 we want to stabilize there and see the benefits we are getting in return and then going ahead we will take a fresh targets.

Kunal Vora: Understood. Okay thank you Sir.

Moderator: The next question is from the line of Sagarika Mukharjee from Elara Capital. Please go ahead.

Sagarika Mukharjee: Thanks for taking my question and congratulations for good set of numbers. Sir just wanted to understand this 10% volume growth in the domestic business if you were to ship out the restocking and also the new product launches because there was a slew of product launches this quarter what would the volume growth look like?

Rajesh Sharma: The new products were launched towards the mid or end of the quarter only so no significant contribution from new launches I would say in this quarter and the restocking impact would be a percent or two kind of.

Sagarika Mukharjee: Sir regarding this ad spent would we think like 10-odd percent of growth as a run rate would be sufficient to support the new products or would you think this would accelerate?

Rajesh Sharma: Looking at the market scenario and the response we get from our new launches it can obviously accelerate as Mohan Ji earlier mentioned our total focus is on top-line double digit kind of a growth. So if we see good response we will be very much happy to accelerate the same.

Sagarika Mukharjee: Sir do we need any price increases going forward right now given some inflationary trend?

Rajesh Sharma: Not significantly. I think that should remain in the tune of 2%-2.5% kind of levels.

Sagarika Mukharjee: Fresh pricing?

- Rajesh Sharma:** Overall I am talking about, so we always take some price hikes at the beginning of the season we take a call during that time so overall I am talking about.
- Sagarika Mukharjee:** Alright Sir, thank you.
- Moderator:** Thank you. The next question is from the line of Ashish Desai from SBICap Securities. Please go ahead.
- Ashish Desai:** Mohan Ji congrats on the good set of numbers. Just on the winter portfolio if you can tell us how is the placement for your winter products currently and any early trends that you can comment on?
- Mohan Goenka:** Winter has started with the good wicket that is why Boroplus we have seen this kind of growth almost 37%-38% and so luckily all the festivals are over in this month so going forward in the month of November and December we are optimistic that we should be able to do good numbers for winter. But yes the winter has to be good.
- Ashish Desai:** Okay and winter portfolio would also be dependent on the wholesale recovery or because last year winter portfolio was not that affected during demonetization?
- Mohan Goenka:** Right so we are seeing a good growth for Boroplus for the last three four quarters. Let us see. I do not see it is now a big issue as far as the wholesale is concerned for winter products. As I said almost 70%-75% is recovered and by every passing day things are improving only. So it would be more of a factor of the winter than in the wholesale channels.
- Ashish Desai:** Secondly, Mohan Ji you have been talking about a lot of new launches and a much higher brand investment across portfolio this year but if I look at your guidance on new product contribution you are saying only 1%-1.5%. His used to be 3%-4% or 6% previously.
- Mohan Goenka:** This is for six months.
- Ashish Desai:** So it is annualized 1%-1.5% for six months?
- Mohan Goenka:** No for six months 1%-1.5%.
- Ashish Desai:** Okay we used to have a guidance of 3% to 4% from new products so is this a conservative target?

- Mohan Goenka:** We are doing a lot of pilots for our healthcare so that is why the targets are little small but also you would understand that last one year there has been lot of disruptions also the new launches got postponed and lot of things happened. So if things completely stabilize, which I am very sure by March everything should be stabilized next year we can take a little aggressive target.
- Ashish Desai:** Okay. So this year we ramp up in new products will be slow is what you are saying?
- Mohan Goenka:** No I am not saying it would be slow it was already slow because of demonetization and GST, so we have accelerated this from this quarter onwards. We have launched three products only in second quarter we would see more launches in Q3 and Q4, but yes, overall it would be about 1% to 1.5% in the second half. So next year we may take about 2.5% to 3% target for new launches.
- Ashish Desai:** Lastly would this 2%-2.5% price increase that you just spoke about would that be enough to offset the menthol price inflation because menthol prices have been going up recently and any price hikes that you have already taken?
- Mohan Goenka:** We have already taken the price hikes for our winter portfolio so that is why for the year overall price hike should not exceed more than 2.5%. So we are not seeing much pressure on the raw material side because we are also getting benefit on the other raw materials. So of course the menthol is on the price. We will not see much contraction on our margin front as of now.
- Ashish Desai:** That is it from my side. Thanks a lot and all the best.
- Moderator:** Thank you. We have the next question from the line of Anand Shah from Kotak Securities. Please go ahead.
- Anand Shah:** Rajesh, I had just one question this exemption part as to the GST refund what is the kind of treatment that you have taken?
- Rajesh Sharma:** We have considered the central government component 29% of the IGST paid in our revenue from operations.
- Anand Shah:** So 29% of IGST and 2% of CGST whatever is there?
- Rajesh Sharma:** Yes, whatever cash paid.

- Anand Shah:** And this is net of the import tax credit?
- Rajesh Sharma:** Yes.
- Anand Shah:** So this is as per the proposal that DIPP had?
- Rajesh Sharma:** Yes as per the latest circular, which has come in the month.
- Anand Shah:** There is accrued debt, but cash flow impact obviously?
- Rajesh Sharma:** Yes.
- Anand Shah:** So as and when you get the refund that will get reversed?
- Rajesh Sharma:** Yes.
- Anand Shah:** Okay and any pricing changes you have taken post implementation of GST or are any of them pending?
- Rajesh Sharma:** No we have taken some price hikes in the winter portfolio some bit and because of GST only pricing of the 7 Oils In One has been reduced because there we got the tax advantage otherwise all prices were maintained.
- Anand Shah:** But in Navratna we did not get any benefit?
- Rajesh Sharma:** No overall others are all kind of tax neutral.
- Anand Shah:** So 7 Oils In One you have essentially passed on others are mostly tax neutral?
- Rajesh Sharma:** Yes.
- Anand Shah:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Anubhav Sahoo from Money Control. Please go ahead.
- Anubhav Sahoo:** Sir first of all congratulations for your sequential volume growth. My question you mentioned about raw material cost, you said there are some other raw materials, which is actually not of a concern, which are there other than Menthol, which are actually benefiting the company?

Rajesh Sharma: Right, so overall though menthol has firmed up slightly but overall if I look at the entire CoGS we should be able to manage at last year level so margins we should be able to manage.

Anubhav Sahoo: Okay so this offsetting factor is coming from savings or particularly from the raw material side you are seeing there is some offsetting deflation in raw material side, which is offsetting it?

Rajesh Sharma: We also are getting benefit of the price hikes we have taken - 2%-2.5% that is also helping us to offset the increase in Menthol prices.

Anubhav Sahoo: On the restocking level, you said around 75% had already reached and we just wanted your understanding that industry wise would it be backed the inventory level, which now we should be expected lower than the normal it used to be because of the change in distribution strategy across the industry and all so in that sense 75% would be quite closer to the normal would it be a okay assumption in times to come?

Mohan Goenka: That may be a case because since these wholesalers are working on lower amount of inventory for quite sometime now so at the end of the day we may see the entire restocking not happening and some bit of working capital improvements and efficiencies may come at their end also.

Anubhav Sahoo: Sir I wanted to understand the position for Almond Hair Oil, I mean, I suppose it is in the same category of light's hair oil where the Bajaj and Dabur is working the same prices and if that is so and since it was launched last quarter so any early take how the reception of the product in the market be?

Mohan Goenka: No we had launched this last year and it is not pure Almond Oil so not competing with the Almond oils available in the market. It is essentially cooling oil with all the cooling oil properties but the base is Almond oil it is not red in colour it is a little lighter oil so it is targeted at a different set of market where consumers do not prefer red oil and thick oil so only for certain markets.

Anubhav Sahoo: Okay and Sir my last question is on the international operation. How is the take from MENA region, I mean do you think that the slow down is abating now as per the consumer demand is concerned?

Mohan Goenka: MENA also reported positive growth this quarter after few quarters so it is not growing very aggressively as of now but I think we are seeing early signs of recovery in the market.

- Anubhav Sahoo:** That is all from side. Thank you.
- Moderator:** Thank you very much. We take that as the last question. I would now like to hand the conference back to Mr. Percy Panthaki for closing comments.
- Percy Panthaki:** Sir just one more question from my side. The healthcare launches that you are earlier made and which had not worked my understanding is that the reason was that it is required doctor advocacy and that was something that was not that so easy to get so this time around the new launches that you working on do they require...?
- Rajesh Sharma:** It is more on the OTC side, yes, you are right.
- Percy Panthaki:** That would be all from me. On behalf of IIFL, I would like to thank the management of Emami for this call and giving their insights. Over to you Mohan Ji for any closing comments.
- Mohan Goenka:** Thank you Percy. We thank you and also thank IIFL for arranging this call and thank you all the participants for attending this call. Thank you.
- Moderator:** Thank you very much. On behalf of IIFL Securities that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.