



emami\* limited

15<sup>th</sup> February, 2020

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

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

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

Dear Sirs,

**Sub: Transcription of Investor's conference call held on 7<sup>th</sup> February, 2020**

With reference to our letter dated 6<sup>th</sup> February, 2020 regarding Investor's Conference Call, post declaration of Unaudited Financial Results of the Company for the Third Quarter and Nine months ended 31<sup>st</sup> December, 2020, at the Board Meeting held on 7<sup>th</sup> February, 2020, we are enclosing a copy of the transcription of Investor's Conference Call.

The aforesaid information is also disclosed on the website of the company at [www.emamilttd.in](http://www.emamilttd.in)

Kindly take the same in your records.

Thanking You,  
Yours faithfully,  
For Emami Limited,

  
**Ashok Purohit**  
**Assistant Company Secretary**

Encl.: As above



# “Emami Limited Q3 FY2020 Earnings Conference Call”

February 07, 2020



**ANALYST: MR. PERCY PANTHAKI - IIFL CAPITAL LIMITED**

**MANAGEMENT: MR. MOHAN GOENKA – DIRECTOR – EMAMI LIMITED**  
**MR. RAJESH SHARMA – SR. VP- FINANCE, ACCOUNTS & IR – EMAMI LIMITED**

*Emami Limited*  
*February 07, 2020*

**Moderator:** Good day, ladies and gentlemen good day and welcome to Emami Limited Q3 FY2020 earnings conference call hosted by IIFL Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Percy Panthaki from IIFL Capital Limited. Thank you and over to you Percy!

**Percy Panthaki:** Good evening everyone. I have with me Mr. Mohan Goenka, Director and Mr. Rajesh Sharma, Sr. VP Finance & IR from Emami to take you through the Q3 results. So, without further ado over to you Mr. Goenka!

**Mohan Goenka:** Thank you, Percy. A very good evening, friends. I welcome you all to this conference call on Emami's result for the third quarter and 9 months ended December 31, 2019.

We are very happy to inform that we posted broad-based growth in most of our brands, except for the winter portfolio and male grooming range. The delayed onset of winter unfortunately had severe impact on the performance of our winter products, which declined by 13% during the quarter and accounted for more than 35% revenue in this quarter.

Further, male grooming range continued to be under pressure due to the ongoing adverse environment for discretionary consumption, leading to a decline of 39% during the quarter. Therefore, if I look at our Q3 performance, excluding the winter portfolio and male grooming range, overall revenue grew by 10% in volume and 12% in value, and domestic revenues grew by 8.5% in volume and 11% in value.

We do believe that despite ongoing challenges, such as weak rural demand, liquidity concerns, hike in food inflation and an overall weak consumption environment in the domestic business, our performance was satisfactory.

However, we also wish to add that we are taking good amount of corrective measures for male grooming range, which would yield results in the first quarter of FY2021. We are glad to inform that our other brands like pain management has posted a good growth of 13%, Kesh King grew handsomely by 18% and Navratna range grew by 11%. 7 Oils in One grew by 66%, while health care range grew by 4%.

As you would be aware that BoroPlus grew by 39% in Q2 in anticipation of good ensuing winter, but delayed and rainy winters adversely impacted offtake, which led to a decline of 12% during the quarter. Therefore, if you look at the performance of the brand, from April to December, BoroPlus posted an overall flat growth.

Overall domestic business declined by 2% during the quarter. However, our international business grew by 18% in this quarter, leading to an overall flat revenue growth in quarter 3 of FY2020, with consolidated revenue of Rs.813 Crores.

While the traditional channels continue to be impacted by the ongoing slowdown in the domestic business, modern trade continued its growth momentum, growing by 15%. During the quarter, CSD channel grew by 7%.

We are happy that our power brands, irrespective of the demand environment, continued to gain market shares. Balms volume market share at 55.3%, grew by 80 basis points, Kesh King volume market share at 27.5%, grew by 20 basis points, Navratna Cool Oil maintained its leadership position, with a volume market share of 66.5%. Further, Fair and Handsome cream volume market share at 64.6%, grew by 90 basis points, and BoroPlus antiseptic cream volume market share at 73.2%, grew by 120 basis points, which reaffirms the fact that weak winter as well as adverse environment for discretionary consumption impacted these categories.

This quarter, we introduced Navratna Garam Tel, an ayurvedic innovation provides instant warmth and relief in harsh winters. We also launched Zandu Cough Syrup, a smart sachet solution at just Rs.5 in this quarter.

During the quarter, gross margins at 68.2%, grew by 120 basis points. Advertisement spends at 17% of sales, increased by 110 basis points, due to investment in new launches. EBITDA at Rs.264 Crore, posted flat growth, with margins at 32.5% and PAT at Rs.144 Crores, grew by 5%, with PAT margins at 17.8%, increasing by 80 basis points. For the first 9 months of this financial year, our revenues at Rs. 2,122 Crores, grew by 3%. Gross margins at 67.5%, increased by 20 basis points. EBITDA at Rs.592 Crores, grew by 4% and EBITDA margins at 27.9%, grew by 10 basis points. PAT at Rs.280 Crores, grew by 13%, with PAT margins at 13.2%, increasing by 120 basis points.

We would like to believe that the market conditions will stabilize slowly surely in the next two to three quarters, driven largely by higher spends by the government-run rural infrastructure and better agricultural GDP growth.

*Emami Limited*  
*February 07, 2020*

Before I invite you to the Q&A session, I would like to update you on the cement deal announced yesterday. Enterprise value for the deal is Rs.5,500 Crores after deducting business loans of Rs.2,200 Crores, the promoters would be left with a balance of Rs.3,300 Crores. Promoter loans on the other hand are around Rs.3,000 Crores. This leaves with a balance of Rs.300 Crores in our hand. But we would also be required to pay taxes on sale of stake and some growth capital for existing businesses. Accordingly, we estimate that our outstanding loan against shares post the execution of deal expected around May or June of 2021 would be around Rs.500 Crores to Rs.600 Crores for some time, which would be gradually reduced to nil by March 2021 upon sale of other non-core assets like power, some real estate projects.

Accordingly, current pledge of promoter holding would reduce substantially from 70% to around 20% upon execution of deal, which would then reduce to nil by March 2021. However, in addition, the promoters would have to pledge around 8% of promoter holding to the buyer of cement towards guarantee of reps and warranties.

With this brief, I now open the Q&A. Thank you so much.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

**Abneesh Roy:** Sir, my first question is on Kesh King. Numbers are very volatile. First quarter, 30% growth second quarter, minus 11% and this quarter, again, good growth, is back at 18%. So my question is, why should the growth be so volatile and this quarter, 600 ml SKU, what was the impact of that channel filling?

**Mohan Goenka:** So Abneesh, you are right. It is slightly volatile. It depends on the consumer promotions that we run in the quarter. So during the time of promotions, the sales really go up and when we remove the promotion, the sales slightly comes down, but overall growth has been robust and as far as 600 ml is concerned, it is very miniscule, we have just launched in modern trade.

**Abneesh Roy:** And the promotions will also remain volatile going ahead because if there is so much impact on sales, why not keep it ongoing?

**Mohan Goenka:** But we cannot keep promotions permanently we have to remove promotions.

- Abneesh Roy:** And sir, second question is on Navratna good growth back in a quarter in which it is not having too much impact on the overall sales. My question is, you have launched this Garam Oil using the word Garam, now Navratna is known for the cooling hair oil brand proposition would not there be a brand dissonance in the customers mind with the Garam word and all that, it helps in diversification in the winter quarter but as a brand, does it impact in the customer's mind?
- Mohan Goenka:** No. We have tested it with the consumers in the last two years there was a need which was emerging, after all Navratna is a therapeutic oil, people do not use it in the winter months. So, we thought there is an opportunity because whether it is stress-related issues or whether it is sleep-related issues, they also have during winters, but they cannot use because of the cooling properties. So we had tried it in certain markets, and then we have launched in central India now.
- Abneesh Roy:** And sir, last question, 7 Oils in One, last 7 quarters has been extremely good so what is the size of this brand on an annual exit basis what is the sense you are getting? And is it taking share from the bigger players in, say, value-added hair oil already or its too small, so currently may not be taking too much of real share from them?
- Mohan Goenka:** Yes. Presently, it is small Abneesh, we are not seeing that it is taking shares from the big players but yes, you are right, the brand is showing momentum we also launched a new campaign with Katrina Kaif, which has yielded good results so domestic should be about Rs.32 Crores-Rs.33 Crores, but including the international business, it is about a Rs.100 Crore brand.
- Abneesh Roy:** Okay Sir, that is all from me. Thank you.
- Mohan Goenka:** Thank you.
- Moderator:** The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.
- Shirish Pardeshi:** Good evening. Thanks for the opportunity. I have a few questions I mean, I am still worried in the BoroPlus segment, we have done a winter loading in the Q2 however, the offtake has not happened. So, does that mean that the inventory is stuck and that is why we have not had the replenishment or what is the issue?

**Mohan Goenka:** Yes. So whatever we had stocked up in Q2 that did not move, of course, you put in the stock by anticipating that the winter should be good. So that is why the desired winter was not there, and we saw an impact but because our sales have declined in this quarter, so by-enlarge, the inventory has now become to normal at the distributors point.

**Shirish Pardeshi:** Yes. So directly my point was we have seen the winter which has been delayed, but the winter has really picked up very harsh in the many parts of country. So is that inventory, which is substantially lower, and you see a second round of filling, which should have happened in the month of January?

**Mohan Goenka:** No, it does not work that, Shirish. The season normally ends by end of December. And we also do not produce BoroPlus on a continuous basis. So normally, the season ends so it does not really help us in growth in January.

**Shirish Pardeshi:** I have a next question on Kesh King, I mean Kesh King fantastic growth, I mean post the innovation, what we have done. So, would you be able to split how much is led by shampoo and how much is pure core oil sales?

**Mohan Goenka:** So, the growth in oil is roughly about 15%, and on shampoo, it is about 30%.

**Shirish Pardeshi:** 30%?

**Mohan Goenka:** Yes.

**Shirish Pardeshi:** Okay. My next question is on pain management. I mean, even pain management has done wonderfully well and obviously, 13% growth is really creditable. So going forward, I think whatever issues we are seeing in pain management has been resolved, and we see this kind of growth when the season is on, maybe in the first quarter FY2020 onwards?

**Mohan Goenka:** Pain management season also gets over, this is not the peak season. Now the season starts only in the month of July so as I said in my opening remarks that we got impacted primarily on the winter portfolio and on Fair and Handsome other than that, all around, we have done a wonderful performance.

**Shirish Pardeshi:** Okay. My next question is on international business again fantastic growth on Q-o-Q and we feel that the momentum has completed. So, can we build in a similar growth for FY 2021 and 2022 in excess of 15-odd percent?

**Mohan Goenka:** Yes. So, we have taken this target for the international business we hope that the momentum continues, and we expect at least a 15% growth from international business going forward.

**Shirish Pardeshi:** Just last one question on cement deal, do you expect that this should get over by May or any time lines you have because there is a lot of hopes built around this?

**Mohan Goenka:** Yes. So, no we have said that by May or June, the deal should be concluded we would just be waiting for the CCI approvals as soon as that comes, the deal would be concluded.

**Shirish Pardeshi:** I missed that group loan number. Would you be able to restate that?

**Mohan Goenka:** It is about 3000 Crores.

**Shirish Pardeshi:** Okay, thank you and all the best.

**Mohan Goenka:** Thank you.

**Moderator:** The next question is from the line of Arnab Mitra from Crédit Suisse. Please go ahead.

**Arnab Mitra:** Hi Mohan Ji. On the Fair and Handsome decline now, it is been two quarters of very steep decline. Normally, such declines do not happen in consumer categories, is there also, is it end offtake declines are you taking a pipeline correction and how do you explain this kind of a steep situation?

**Mohan Goenka:** So you are right, and this is across the board, we have seen this decline and we have done a big deep dive. So what we have seen, Arnab, is that the core consumers, which are between the age of 20 to 28 or 29, there has been a trend of keeping beards. So the surface area has reduced substantially by almost 25% to 30% in men. We have done a lot of dipstick and we found that boys who are young men who are keeping beard, they are using at very low quantities. So which we can see the trends now. So that is also one of the reasons that the brand is slightly showing some stress but we feel there is still an opportunity on Fair and Handsome. We have taken a lot of corrective measures and we expect that it should bounce back in the first quarter, for sure.

**Arnab Mitra:** Right. So in terms of the corrective measures, is there more to be taken, which is why you feel that Q1 should be the time when it or is there a restage of the brand, which could happen or if you could highlight what all measures you have already taken in the recent couple of quarters?



- Mohan Goenka:** So, there are a lot of measures which are yet to be taken, which would come in the first quarter.
- Arnab Mitra:** Okay. Sure, and my other question was on the again, the cement transaction. So, is CCI the only approval required or are there other approvals which are required and is there due diligence from the buyers side, those kind of things done and it is just regulatory approvals now, which is between now and the deal completion?
- Mohan Goenka:** Absolutely. All the due diligence has been done by them and that is why we have signed the binding agreement. It is only the statutory approvals which are needed, once that comes, the deal would be concluded that day, and that is primarily CCI only.
- Arnab Mitra:** Okay, thanks all the best.
- Mohan Goenka:** Thank you.
- Moderator:** Thank you. The next question is from the line of Percy Panthaki from IIFL Securities Limited. Please go ahead.
- Percy Panthaki:** Hi Sir, just looking at your quarterly performance, it seems that if I exclude the seasonality impact, your growth is actually the highest in the sector, you have done a 13% value growth on your non-winter care portfolio. So, if basically the main reason for the poor numbers is seasonality, and from Q4 onwards, that reason goes away, then how do we look at your growth going ahead I mean, is it fair to expect a close to double-digit sales growth from now on?
- Mohan Goenka:** Absolutely, Percy, there is no reason why we should not be optimistic. If we have performed in this quarter, we should also be performing in the coming quarters. Now the loading of Navratna would start as I said, January has been a slightly dull period because there is an extended winter across the board. So, we do not know when the loading would start for Navratna but if we would be able to load Navratna, then I am pretty confident of good growth because interestingly, all the other brands have really fired, other than Fair and Handsome and BoroPlus.
- Percy Panthaki:** What basically has changed because last, if I leave out this December quarter, the two three quarters before that were quite lackluster and suddenly, December quarter, excluding the seasonal portfolio, has done extremely well. So what basically has changed, is it something

specific that you have done at your end or do you think that now the overall consumption climate has improved, which is leading to this change what is the reason for the change?

**Mohan Goenka:** No, I would not really say that the environment has changed dramatically, rural still is under some stress what we see, but it is mostly push from our side. It is our targets to our dealers and the market and sales team, everything put together, also some schemes, a lot of aggression, which we had put on other brands. So, because we could sense that we would not be able to achieve our numbers through winter products, so we got these numbers from other brands.

**Percy Panthaki:** Right. And finally, just wanted to understand your gross margin movement, this quarter also, we have seen a Y-o-Y expansion in the gross margin so just wanted to understand what are the drivers behind that and how do we look at gross margins for the next three four quarters?

**Mohan Goenka:** No, gross margins should stay in this band only. We are seeing that prices are benign, so it should help us to improve margins only gross margins. Not so much, I think, 50 basis points, so we can see that going forward.

**Percy Panthaki:** Okay Sir that is all from me. Thanks.

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

**Prakash Kapadia:** On Zandu health care, most of the sales are urban focused. On a year-to-date basis, growth has been around 1%, so is new product launches now going to be a continuous basis we have launched a few products, which is mentioned on the PPT, plus, I think, we have launched Zandu Honey also, which is actually a very good and differentiated product. So if you could give us some sense on the health care division?

**Mohan Goenka:** So it is definitely a core area for us and yes, you are right, we would be launching a lot of new brands and 1% growth is, Prakash Ji, is because Pancharishta still has not shown the kind of results that we expected otherwise, the growth could had been much, much higher?

**Prakash Kapadia:** Any sense why Pancharishta continues to show muted growth or not as per our expectations because the relaunch was done, support was given?

**Mohan Goenka:** But it was declining, if you remember, Pancharishta was declining very heavily. It was de-growing at almost 18% for first six months but in this quarter, we have grown by 3%. So

after the relaunch, there has been some reversal. But yes, health care, we would be launching brands, but gradually once the market sentiments have to improve.

**Prakash Kapadia:** But correct me if I am wrong, most of the products would be urban focus, right and sentiments in urban seem to be better than rural.

**Mohan Goenka:** But because the size is so small, the needle does not move. The size is only 120-130 Crores and it is not a big difference. When you ask me urban, rural, okay, rural is weaker than urban, but difference is not like urban is going at 10% and rural is declining by 10%. The difference is very marginal.

**Prakash Kapadia:** Understood. Secondly, on the channel liquidity, if you could give us some sense because we keep on hearing, there is still liquidity issues. So something at the retailer or wholesaler level, are we extending more credit selectively to grow the business, are we not what are we sensing is worst over?

**Mohan Goenka:** No, no, there is a liquidity concern at both at the wholesale and the retail level. So definitely, we have extended credit to our dealers in the tune of almost 12 to 13 days. And we see that continuing there is no sense of reversal or easing out of liquidity. If we find that things are improving, we may reduce it down to 7-8 days, but yes, we would have to extend credit.

**Prakash Kapadia:** Okay. On Zandu, is it again relaunch to test and now we are creating a differentiated product because we were very gung ho on honey in terms of differentiated product, pricing premium, quality being good. So the flavored honey is really good, so or is it just on a test marketing, and we are still awaiting more?

**Mohan Goenka:** These are niche markets, Prakash Ji. We would have to wait and see what results we get. Now our endeavor is to, of course, launch differentiated ideas and consumers have liked it in some belts because the product is a little expensive one, market is limited for these products.

**Moderator:** Thank you. The next question is from the line of Tejash Shah from Spark Capital. Please go ahead.

**Tejash Shah:** Mohan Ji. Thank you for the opportunity. What will be your overall domestic volume growth for the quarter?

**Mohan Goenka:** Domestic, the volume has de-grown by 2%.

- Tejash Shah:** Mohan Ji, second question pertains to this whole winter delayed winter. Now intuitively, in last 4 years, 3 years, would have seen delayed winter and climate change seems to be making such volatility new normal. So is there a way to address this structurally, so that we can respond to this long tail of winter demand, which we are missing out for the last 2, 3 years?
- Mohan Goenka:** No, you are right, Tejash. We are also seeing that the winter now somehow comes in January and February but unfortunately, our mindset is such where we do not, the dealers or the market, the trade does not stock the product after a certain date, which is Sankranti, as I said. 14 of January, generally, the trade overall trade, they think the winter is gone. So whatever stocks they have, they want to liquidate that stock and these mindsets do not change overnight. We also stop productions of every winter product in the month of December. Even if there is extended winter and there is some demand, we cannot meet that because we do not produce.
- Tejash Shah:** Is the confidence level of dealer stocking up same in the direct reach as it is in wholesale?
- Mohan Goenka:** Can you be slightly louder.
- Tejash Shah:** Yes, is the dealer level confidence to stock up winter demand post January equally weak in your direct distribution as it is in non-direct?
- Mohan Goenka:** Yes, 100%. First is our dealers, then is the wholesale or the retailer.
- Tejash Shah:** So, they also do not stock with the...
- Mohan Goenka:** No, they do not keep the products. Because it is all paid stocks ultimately. And we also, place strategically; we also do not want to put so much of stock because we know that we have to now sell Navratna. So that additional Rs.4 Crores- Rs.5 Crores of business does not really move the needle.
- Tejash Shah:** Fair enough. Yes.
- Tejash Shah:** Okay. Lastly, if I may squeeze in, Sir you said Rs.3,000 Crores group level debt I believe we also raised Rs.15 billion NCD last week so this number will include in that right?
- Mohan Goenka:** Yes. So yes actually. Yes, absolutely.

- Moderator:** Thank you. The next question is from the line of Avneesh Agarwal from Prabhudas Lilladher. Please go ahead.
- Avneesh Agarwal:** Yes, my first question is on promoter pledge. As per BSE, the total amount of pledges are around Rs.5,000 Crores, and the promoter will get a net of Rs.3,000 Crores from the cement deal. So based on that, say three four months down the line, once it gets consummated, so how much is the promoter pledge likely to come down?
- Mohan Goenka:** I had already said in my opening remarks, it would come down to roughly about 20% from 70%.
- Avneesh Agarwal:** So, the amount would be close to 2000 Crores?
- Mohan Goenka:** How it will be 2000 Crores? Sorry what you are asking?
- Avneesh Agarwal:** Sir, the current total pledges are Rs.5,000 Crores and not a percentage so once we get this Rs.3,000 Crores and the entire amount gets utilized?
- Mohan Goenka:** The entire amount does not get utilized because, as I said, we have to keep some amount for taxes and other promoter requirements.
- Avneesh Agarwal:** Okay. So how much of amount we could be utilizing for this?
- Mohan Goenka:** So after this, we would be having about Rs.500 Crores to Rs.600 Crores of debt.
- Avneesh Agarwal:** Balance?
- Mohan Goenka:** Yes balance.
- Avneesh Agarwal:** Okay. So how much would be promoter pledge in terms of amount?
- Mohan Goenka:** So as I said, it would be in the range of about 15% because price keeps on varying. So it would be anywhere in the range of about 18% to 20%.
- Avneesh Agarwal:** 18% to 20% of the total paid up...
- Mohan Goenka:** Of the promoter holding which is almost 53%?
- Avneesh Agarwal:** Okay understood. Sir, my second question is that, as you stated...?

**Mohan Goenka:** Beside this, I would also make it very clear, we are keeping an 8% pledge with the buyer towards some guarantees. So it would take to almost, I think, about 25% that is what is our estimate is.

**Avneesh Agarwal:** Sir, my second question is that, as you stated that some of the winter care products were slowing this quarter and so you have given, say, aggressive push and also dealer discount, et cetera, to push the non-winter portfolio now once we go into 4Q, where there is a lot of, you can say, the inventory push happening or say the trade takes the summer products. So, would not the push which has happened in 3Q impact the offtake in 4Q in terms of sales of the company, not consumer sales?

**Mohan Goenka:** See, we would have to wait and see because now as I said, almost 50% or 45% depends on Navratna loading. So, if the summer comes on time and we would be able to load Navratna, then we are confident of achieving good growth.

**Avneesh Agarwal:** Okay. Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Surbhi Prasad from Cogencis. Please go ahead.

**Surbhi Prasad:** Yes, actually, I wanted to know what is the overall volume growth for the quarter?

**Mohan Goenka:** Overall volume growth was minus one percent.

**Surbhi Prasad:** Okay thank you so much.

**Moderator:** Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

**Gaurav Jogani:** Thank you for the opportunity Sir. Sir, my first question is with regards to, as you have alluded that the winters have also extended now they are till the February almost. So, do not you think it will have an impact again on the summer products that is Navratna products, Navratna Oil product?

**Mohan Goenka:** Let us wait. Yes, the winter is extended, but the summer can come anytime. It is beyond anyone's predictions.

**Gaurav Jogani:** No. But Sir, like how our winter products got impacted due to delayed winters, can not the same thing happen?

- Mohan Goenka:** No, no, of course, it can happen, of course, it can happen.
- Gaurav Jogani:** So that could be a risk going ahead?
- Mohan Goenka:** Yes. If you take it a risk, it can be a risk. It is beyond us.
- Gaurav Jogani:** Sir, my next question is with regards to the pledge thing that you have mentioned so is there any time line, the 8% equity, when does that get released from the one which we will place for warranty?
- Mohan Goenka:** So that we would have to wait and see because it might take some time. It might take about 6 months time.
- Gaurav Jogani:** From May, when the deal gets executed, from there, 6 months' time, right?
- Mohan Goenka:** Yes, absolutely.
- Gaurav Jogani:** Okay, that is all from me Sir. Thank you.
- Mohan Goenka:** Thank you.
- Moderator:** The next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha:** Hi Sir. My question was on the other expenses and this quarter, we have seen some savings so just wanted to understand, on a run rate basis, how should we look at this cost going forward can we expect significant savings from the current run rate?
- Rajesh Sharma:** So Amit, overall, Rs.240 Crore is the other expenses for the first 9 months, and a similar kind of run rate should continue.
- Amit Sinha:** As a percentage of sales?
- Rajesh Sharma:** No, as a percentage, it has gone down this particular quarter but overall, if I look at 9-month, I think that 9-month number should be more accurate number.
- Amit Sinha:** So, you would say FY 2021 should also be broadly similar as a percent of sales?
- Rajesh Sharma:** Right.

- Amit Sinha:** In terms of the A&P spend, how should I mean, will the spend which you are planning on Fair and Handsome, will that be something which will take up the A&P spend or you will maintain broadly the same level?
- Rajesh Sharma:** No, we will broadly maintain at the similar current level of 17.5% to 18%.
- Amit Sinha:** That is it from my side. Thanks.
- Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.
- Shirish Pardeshi:** Some follow-ups. Mohan Ji, we are seeing that health care business has been struggling and if I compare the competition, the national competition from the organized layer, it is shown a 12% odd growth. So what is it that we are missing, is that distribution, which is driven by wholesale is the channel issue or is the product issue?
- Mohan Goenka:** I said on the health care business, our majority of the sales come from Pancharishta, okay. So there is no comparison as such, which companies, you are talking of, I do not know. If Pancharishta has declined by 18% in the first 6 months, I cannot grow because almost 65% -- 60%, 65% business comes from Pancharishta. If Pancharishta fires, now in this quarter, as I said, it has grown by 3%, then we can grow at 10%, 12%.
- Shirish Pardesi:** Any quick comment on wholesale recovery I mean, yes, this is an important channel for us when we look at the seasonality. I think this, so any signs of recovery you are seeing in North or maybe in the Eastern part where wholesale is really declined much faster?
- Mohan Goenka:** No. I am yet to see recovery at the wholesale and the retail levels.
- Shirish Pardesi:** And in terms of raw material, would you be able to say what kind of deflation we have seen in the key raw material like mentha and your packaging in this quarter? And what kind of benefits we can build in, say, in quarter 4 also?
- Mohan Goenka:** See mentha has been stable for quite some time now. But again, we are seeing some reduction in the petroleum prices. So going forward, if this momentum, again, continues, then hopefully, as I said, we will be able to gain another 50 basis points to 60 basis points going forward.
- Shirish Pardesi:** Thank you and all the best.



- Moderator:** Thank you. The next question is from the line of Bhakti Thacker from Investec. Please go ahead.
- Bhakti Thacker:** Sir, what would have been the international revenue growth, excluding Creme 21?
- Mohan Goenka:** Overall growth was 18%. Excluding Creme 21, it was about 5%.
- Bhakti Thacker:** Okay thank you Sir. That is all from me.
- Moderator:** Thank you. The next question is from the line of Percy Panthaki from IIFL Securities Limited. Please go ahead.
- Percy Panthaki:** Sir, if you can give some more granularity on Fair and Handsome. You have mentioned in your presentation that you are putting in some inputs into the brand, and you expect the brand to turn around. What steps exactly are you taking there?
- Mohan Goenka:** We cannot go into the details, it is a competitive scenario, one of the steps that we have taken is by reducing the prices in this quarter. So that we have already done, other than that, as I said, there are a lot of corrective measures which we are taking and you will see it in first quarter.
- Percy Panthaki:** Understood. That is all from me. Thank you.
- Moderator:** Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.
- Ankit Babel:** Good evening Sir. Sir, my first question is, so once you start growing in double digits, which you are expecting from next quarter onwards, and with the 50 basis point gross margin expansion, can our EBITDA margins go back to the previous highs of around 29%, 30%?
- Mohan Goenka:** That would be a little stretch. Let us see because in this quarter already, we have raw materials and packing material already there. But if this momentum continues, then I said, for the year-round, 50, 60 point gross margin expansion is possible. But we would have to see overall numbers. If the market sentiments also improve, we might have to take up some advertising. We have to launch a lot of new products that is where our focus is all about, okay, so the immediate focus is not on improving our EBITDA margins to 29%. If in natural course it happens, it happens because already we have a very healthy EBITDA margin.

- Ankit Babel:** Yes, true. And sir, just to simplify so this, on the pledge issue, so by March 2021, you are expecting a 0 pledge I mean, that is 8% pledge also getting released and this Rs.500 Crores-Rs.600 Crores of debt also getting repaid. So that FY2021?
- Mohan Goenka:** See, Rs.500 Crores-Rs.600 Crores, so we are pretty confident. On the 8%, we would have to wait and see, matter is sub-judice so we will just have to wait and see that.
- Ankit Babel:** Okay, thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Ajay Thakur from Alder Capital. Please go ahead.
- Ajay Thakur:** Thanks for taking my question. Two questions. First is on the tax rate. Can you guide us to the tax rate for FY 2021 and 2022?
- Mohan Goenka:** It is about 20%.
- Ajay Thakur:** For both the years?
- Mohan Goenka:** Yes.
- Ajay Thakur:** Okay. Secondly, I wanted to check the, how would be the group company that like in terms of do promoter need to support them in terms of their debt servicing and all, especially for the unlisted group companies?
- Mohan Goenka:** Not really. So as I said, there is some requirement, which we have already considered in these numbers.
- Ajay Thakur:** Okay thanks for that.
- Moderator:** Thank you. The next question is from the line of Avneesh Agarwal from Prabhudas Lilladher. Please go ahead.
- Avneesh Agarwal:** Sir, just one follow-up from me. In the case of Emami Cement, how much is the debt of that company?
- Mohan Goenka:** 2200 Crores.

- Avneesh Agarwal:** So, it means that Rs.5,500 Crores minus Rs.2,200 Crores - Rs.3,300 Crores, we will be getting?
- Mohan Goenka:** Right.
- Avneesh Agarwal:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of from Abul Fateh from Baroda Mutual Fund. Please go ahead.
- Abul Fateh:** Sir, you mentioned that the cement debt was Rs.2,200 Crores but if I look at your DRHP, the June 2018 number says Rs.2,350 Crores. I do not think that debt would have reduced. So, is this number correct or does it exclude the short maturities or the current maturities of long term debt?
- Mohan Goenka:** No, it also includes some of the unsecured loans by the promoters, which had been given by the promoter's whatever numbers I am saying, these are actual factual numbers, okay.
- Abul Fateh:** And another thing, what will be the tax outgo on this number?
- Mohan Goenka:** That we are working out as I said we have kept for other requirements in this in the tune of about Rs.800 Crores.
- Abul Fateh:** Rs.800 Crore rupees, other requirements, tax and what else would be the...
- Mohan Goenka:** Right. Mostly tax and other requirements, somebody asked before you that there are, are there some other requirements. So, there would be some requirements. First, we would have to take out money for taxes, then whatever we have taken out, it should be about Rs.700 Crores- Rs.800 Crores.
- Abul Fateh:** On this 8% of promoter holding to be pledge for guarantee of cement assets, what is this, this is the pledge already been created on the assets or the new pledge would be created?
- Mohan Goenka:** No new pledge would be created. But after taking this pledge, plus as I said, it would be about anywhere between 15% and 20%, the total pledge should not be more than 25% or 26% by investing 70%.
- Abul Fateh:** Okay. And this is by June you are saying when the deal gets completed and the money gets received?

- Mohan Goenka:** Absolutely.
- Abul Fateh:** Also, there was a media item that promoters were selling, that hospital in Bhubaneswar and is the money received there or the deal is still not completed this is just a media report that we have?
- Mohan Goenka:** No, we have not received the money, but the deal is completed.
- Abul Fateh:** What is that amount on that, for that asset?
- Mohan Goenka:** I really cannot share the amount.
- Moderator:** Okay, thank you so much.
- Moderator:** Thank you. The next question is from the line of Nitin Gupta from SBICap Securities. Please go ahead.
- Nitin Gupta:** Thank you Sir. Just wanted to know from the Kesh King perspective we have added this scheme or you can say the promotion in the Kesh King that it is now with 100% money back guarantee. So, do you see any efficacy issue in the premium end or hair fall category as such?
- Mohan Goenka:** If you would have seen that, we would not have given 100% refund. We are so confident that we will not get that.
- Nitin Gupta:** No, that is okay. But is it like after some feedback on the supply chain that customer want this kind of assurance, we are sort of highlighting this promo?
- Mohan Goenka:** I am not clear. No, we are so confident that we would not get a single claim. We are confident on our products. That is why we have said. If you are not satisfied, we will give you 100% refund.
- Nitin Gupta:** Okay Sir, thank you.
- Moderator:** The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** Sir, just one clarification. Sir, the 7 Oils in One, you said the brand is Rs.100 Crore with a Rs.30 Crores sales from domestic is that right?



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- Mohan Goenka:** Yes.
- Gaurav Jogani:** Yes, so that is all. Thank you.
- Moderator:** Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.
- Rajesh Sharma:** Thank you, Percy. Thank you, IIFL, for ending this call, and we thank all the participants for joining us on this earnings call for Emami on Q3. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of IIFL Securities limited, that concludes this conference call for today. Thank you for joining us. You many now disconnect your lines.