



emami* limited

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

August 19, 2019

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 8th August, 2019

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 8th August, 2019, subsequent to declaration of Unaudited Financial Results of the company for the First quarter ended 30th June, 2019.

The aforesaid information is also available on the website of the company www.emamiltld.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 Q1 FY2020 Earnings Conference Call”

August 08, 2019



ANALYST: MR. PERCY PANTHAKI - IIFL SECURITIES LIMITED

MANAGEMENT: MR. MOHAN GOENKA – DIRECTOR – EMAMI LIMITED
MR. RAJESH SHARMA – SENIOR VICE PRESIDENT (FINANCE & INVESTOR RELATIONS) – EMAMI LIMITED

Emami Limited
August 08, 2019

Moderator: Ladies and gentlemen, good day, and welcome to Emami Limited Q1 FY2020 Earnings Conference Call, hosted by IIFL Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Percy Panthaki from IIFL. Thank you and over to you, Sir!

Percy Panthaki: Hi good afternoon everyone. Joining us in this call is Mr. Mohan Goenka, Director, and Mr. Rajesh Sharma, Senior VP Finance so over to you Mr. Goenka!

Mohan Goenka: Thank you Percy. Very good evening friends. I welcome you all to this conference call on Emami's result for the first quarter ended June 30, 2019. Although the macroeconomic environment continues to be challenging with a distinct slowdown in the consumer demand curve, particularly for discretionary products, we are happy to report a healthy profit led grow this quarter with revenue of Rs.649 Crores. We closed the quarter with a growth of 5.6% against the high base over previous year wherein we had a growth of 19%. Volume growth for the quarter stood at 2%. During the quarter, domestic business grew by 2% with flat volumes. Navratna grew by 4%, Kesh King grew by 30%, and 7 Oils in One grew by 31%, however healthcare range declined by 3% against a base of 28% growth achieved in Q1 last year; Pain management declined by 6% against a base of 39% growth in previous year. Q1 being non-season, BoroPlus declined by 7% and male grooming declined by 7% on account of slowdown in discretionary consumption. However, our power brands reinforced leadership in their respective categories increasing their market shares during the quarter, which we believe is credible given the poor consumer sentiment. Navratna Cool Oil volume market share at 66.8% grew by 60 basis points, Balms volume market share at 54.7% grew by 130 basis points, BoroPlus volume market share at 76% grew by 80 basis points, and Kesh King volume market share at 26% grew by 190 basis points and Fair and Handsome maintained its leadership position with a volume market share at 64.6%. While sluggishness in traditional channel persists, modern trade continued to yield positive results. The channel grew by 17% during the quarter now contributing to 9% of our domestic business.

International business too grew by 34% during the quarter led by a strong growth in SAARC and MENAP regions. Excluding Creme 21, international business grew by 10%. During the quarter gross margins at 64.2% declined by 210 basis points due to increase in

raw material cost. Despite this, EBITDA grew by 11% and EBITDA margins at 20.7% grew by 110 basis points. PAT at Rs.39 Crores grew by 47% and PAT margins increased by 170 basis points. Cash profit at Rs.123 Crores also grew by 11%. Going ahead, we expect input cost pressures to ease in the second half of this financial year, which would help us maintain or expand gross margins for the full year. Our outlook for the balance quarters in FY2020 remains positive based on the various strategic initiatives adopted by the company to build a strong foundation for sustainable profitable growth. Efficient management of risk and improvement of operating margins with the government initiative to put rural growth on fast track, we expect business to bounceback in the coming quarters. With this brief, I now open the Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aditya Soman from Goldman Sachs. Please go ahead.

Aditya Soman: Sir, just two questions from my end, firstly we look at market shares for the categories, these are market shares for the specific categories, so for Fair and Handsome that would just look at men's fairness cream, but has category like Fair and Handsome lost share to some non-fairness facial moisturizer? Similarly, for cooling oils, could there be a case that the cooling oils overall are losing market share to some of the other medicated hair oils even general value added hair oils?

Mohan Goenka: So these are specific categories like we have always defined, so the comparison is like-to-like. So cooling oil, some brands which fall under the cooling oil categories, this is how Nielsen also defines them, so markets have not been growing for most of the brands because we have almost 60% to 70% market shares, I would not say that other brands are taking away shares in any of our categories.

Aditya Soman: No my question was whether the cooling oil category itself, I mean more consumer are just moving away from preference towards the cooling oil towards other value added hair oils, in the case of Fair and Handsome whether consumers are just shifting to general moisturizing creams whether male or female, more male consumers for example just using general moisturizing cream sometimes like Ponds. I am just asking you that question, is that have any of your channel partners suggested that there has been shift of consumers?

Mohan Goenka: Because we have not seen that shift in these categories.

- Aditya Soman:** Okay because if you look at growth for some of these other categories, those continue to do very well, it is only in the men's fairness cream or cooling oil that we are seeing obviously overall growth plateau over the last couple of years?
- Mohan Goenka:** So we have not seen that shift of course there have been reasons because Fair and Handsome is absolutely a discretionary category. So there has been a general slowdown as you all know that is why we are seeing this slump in the fairness cream in particular and as far as Navratna is concerned, this was the peak season, somehow we lost in the first two months because of general elections in the rural markets so that is one of the key reasons why we could still grow at 4%, but we could have done better I think.
- Aditya Soman:** Understand so you would expect both of these brands to sort of return to double-digit growth for the rest of the year or it will probably be a steady process till we get there?
- Mohan Goenka:** That we would need to see because the peak season for Navratna is now gone, so to get back to double-digit growth for Navratna would be a slight challenge and for Fair and Handsome, we are looking at a larger picture because we need to get back to growth, but the economy also has to grow for this.
- Aditya Soman:** Understand and lastly the Kesh King that has done well over the last few quarters, what has really perked there and what is the feedback then from the market and do you expect this level of growth to continue?
- Mohan Goenka:** Yes, Kesh King has bounced back after our re-launch so we are seeing good momentum and I hope that the average growth for Kesh King for the year it should be in the range of about 15% to 17%. We have seen some slowdown in Kesh Kanti that has also helped Kesh King to grow.
- Aditya Soman:** Understand thank you Sir.
- Moderator:** Thank you. The next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Thanks for the opportunity. Mohan ji just wanted to understand if you made fair observations in the beginning of the call, but if you can give some sense on regional wise demand scenario or rural urban how they are panning out and second point on the demand, at one end Kesh King which is kind of discretionary product again where we are seeing good revival where is the balance part of the portfolio where again the discretionary in

nature, we are not seeing recovery, so what differentiates this behavior in the consumption pattern in the same economic environment?

Mohan Goenka: Kesh King has really bounced back after our relaunch as we have also been very aggressive as far as our marketing was concerned and Kesh King also had probably a little lower base so that is why we have seen big growth on Kesh King. As far as region wise is concerned, we are not seeing a big difference in North, East, West and South, by and large all regions are behaving in the same level. Rural has been slightly slow growth if you ask me rural is almost at 1% growth versus urban is at almost 2.6% growth as far as domestic business is concerned.

Tejas Shah: Sir second this is on observation from our recent communications and annual report on Q1 presentation, it seems Emami brand has been repositioned as a wellness brand so is it a definite business plan around this repositioning or which is aligning behind this communication or is it just routine communication and we should not read anything more over here?

Mohan Goenka: I think there is no deep thinking on that, it has always been a wellness brand so there is no major rigging around that I would say.

Tejas Shah: And lastly Pancharishta missing from communication, last two communications so any update if you can share on this?

Mohan Goenka: So Pancharishta has not grown, Pancharishta this quarter has declined at 12%, so situation is same in the Pancharishta, it is not growing.

Tejas Shah: Okay that is it from my side Sir. Thanks.

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

Amit Sinha: Sir my question was on your gross margin and EBITDA margin and you said that you will try to maintain for the full year, firstly on the gross margin, when I look at some of the Bloomberg numbers of mentha oil, etc., it has declined significantly from the March end levels so that should actually help you in the overall gross margin or are you saying that you have a large inventory, which will continue to weigh on the overall margins?

- Mohan Goenka:** So your observation is right Amit, now that the prices have come of, we still had some inventory in the first quarter, now as it is, that is why we said we will be able to expand on gross margin because both crude and mentha is our favor, so probably you would start seeing the same level of margin in this quarter and then may be slight improvement from the third and fourth quarter.
- Amit Sinha:** Sure Sir and on the ANP spend any particular guidance for the year, are we likely to see a similar kind of ANP spend or because slow down you would decide to throw it down?
- Mohan Goenka:** We are reviewing it on a regular basis, I would not say that it would significantly come down or go up, we would try to maintain it as the last year numbers as far as entire year is concerned so not that they would be a big increase on advertising for the year unless the market revives that is why we are very confident that we would be able to maintain our margins rather there could be some scope of improvement on margins.
- Amit Sinha:** Exactly so basically the margin should expand right I mean if the gross margin expand that should flow to your EBITDA margin?
- Mohan Goenka:** Absolutely.
- Amit Sinha:** Okay Sir, thanks a lot.
- Moderator:** Thank you. The next question is from the line of Navin Trivedi from HDFC Securities. Please go ahead.
- Navin Trivedi:** Sir can you just give us some idea about when do we expect the recovery in the balm segment, it has been like last four quarters, we reached around 2% kind of average decline, so which all initiatives that you are taking in, when can we expect growth trajectory to improve from here onwards?
- Mohan Goenka:** So balm we are expecting to grow at about 6% to 7% now that because this is the peak season for balm and now that monsoons have set in so we expect that this quarter should be slightly better and we are taking some initiatives to get back at least a growth numbers by giving some consumer offers or may be a slight trade push as far as balm category is concerned.
- Navin Trivedi:** And you mentioned from most brands you have very good base, even last year you posted 19% kind of growth. While if you see the rest of the FY2020, your base is very favorable

and you are taking a lot of initiatives also to recover the growth trajectory, so considering those things any signs or any guidance which you want to share for FY2020?

Mohan Goenka: So I cannot give very specific numbers, but in the first quarter like we have grown at 6%, I hope in the balance nine months we should be able to at least go back to 9% to 10% growth.

Navin Trivedi: Okay and any particular reason for this tax rate in the last two quarters have been up to 30%?

Rajesh Sharma: Tax rate is high in this quarter particularly on account of some deferred tax impact, but for the full year, we feel we should be at 22% kind of tax rate for the entire year.

Navin Trivedi: Fair point. Thank you so much and that is all from my side.

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

Prakash Kapadia: Thanks for taking my question. I missed the opening remarks because I logged in a bit late, can you tell me the volume growth for the domestic business and promoter pledged as on date?

Mohan Goenka: The volume growth is flat as far as domestic business is concerned and as on date promoter pledged is about 52%.

Prakash Kapadia: What is the last three years, if I see variations in our sales, there have obviously been GST, wholesale channel issues, demand, but if I look at some of our power brands and penetration levels, so should not this now even out and we should have far more visibility and confidence of higher double digit volume growth because some of these factors have to even out sooner or later right?

Mohan Goenka: So you are right I think as far as we are concerned, we have been aggressive wherever needed, but unfortunately the markets have not been so favorable. There has been a big slowdown as far as rural consumption is concerned. This being peak season we could have done a better on the Navratna portfolio, but during the election time, we saw a big slump whatever we could do in the month of June and you have seen the Navratna, still we could do at 4%. So these are one of cases, monsoon has also set in the a little late, so we have seen some pressure on the balm category, so always you would remember that Emami, we are very highly dependent on the season and if there is any disruption in that, then somehow we

lose, but you are right, so Kesh King has been doing well, 7 Oils in One has been doing well, some of the brands are doing well so we are hopeful that we should be able to do at least a 10% number as far as the remaining nine months are concerned.

Prakash Kapadia: Modern trade and e-commerce, I think you mentioned around 9%, which was I think around 7% earlier last year, so we were earlier skeptical because of discounts and offers, what has changed now and what are we focusing on, I think you increasing distribution so if you could give us some sense of modern trade and e-commerce?

Mohan Goenka: Modern trade and e-commerce cannot be ignored because these are fast growing channels and whatever way we have to grow, we are doing, we are taking all actions, e-commerce still remains a very small portion, so we are focusing big time on e-commerce because we think there is a big opportunity. The consumer sector is a little different, so we cannot ignore these consumers. But I think by and large because the growth in modern trade which was almost at 40% to 50%, this quarter has been 17%, so I think we have reached a base of 9%, 10% in moderate trade.

Prakash Kapadia: Lastly, we had seen some of the launches last year Fair and Handsome HE Magic Duo, Zandu, Pancharishta, Striveda Lactation Supplement any response, any feedback you could share and what looks promising from a scale perspective and what does the new product pipeline look like for FY2020?

Mohan Goenka: Mostly we are working on extensions, we are not launching new products as such because primarily for the market condition. The pipeline is strong, once we see a good momentum or good growth in the market then we would be launching those products. All these products are in the market, I cannot really say that they are doing exceedingly well, but it is primarily because of the slow down, I mean people are not really trying out the new products.

Prakash Kapadia: To drive more specific trials, we are trying about lower SKUs, lower sachets or what is the route for us to induce more trials because we are the leaders in most of the categories so unless and until we try and do not do that extra bit, the trial also will be difficult?

Mohan Goenka: We have SKUs at all levels so whether it is Rs.1, Rs.5. Rs.10 for each of our products, but because our contribution from rural is more than 50%, 55%, the rural has been at a slow down. At this point of time we have to have a little bit of caution, we are working on cost reduction, we want to preserve cash and when the right time comes then only we should spend money, because launching a new brand or category or extension costs a lot of money.

The return on that investment seems to be little risky that is what we feel. The pipeline is very strong, we can always launch a brand when we see there is healthy growth. What is very important is that we not lost market shares in any of our categories, we have protected that, Kesh King which was struggling, we are bouncing back in that, our distribution has reached to almost 9.5 lakh outlets. So we have strengthened our pillars. E-commerce, modern trade which was a weak area, we have strengthened those. So I think it is just a matter of time, when markets start reviving, we will also see results, it was a challenging quarter because of election, but still we could grow at 5%, 6%.

Prakash Kapadia: I totally appreciate and understand, but somewhere some of this has to even out because there is a low penetration somewhere some of these things have to translate to higher volume growth?

Mohan Goenka: It would happen.

Prakash Kapadia: Okay Sir. Thanks I will come back in the queue.

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

Percy Panthaki: Hi Sir, can you tell us for this quarter what is the EBITDA margin you made on the Creme 21 business?

Mohan Goenka: EBITDA margin on Crème 21 business that we have to come separately Percy we do not really have it readily.

Percy Panthaki: Okay no problem and secondly just wanted to understand as per Nielsen what is the men fairness category growing at?

Mohan Goenka: Male fairness category is declining.

Percy Panthaki: But any idea what was the number?

Mohan Goenka: I think you can talk to Rajesh.

Percy Panthaki: Okay I will take it there. That is all from me.

- Moderator:** Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.
- Gaurav Jogani:** First I would like to ask the reason for the higher income this quarter so it grew very substantially, any particular reason why?
- Rajesh Sharma:** Last year we had net debt on our balance sheet and now we have net cash so we have deployed the surplus cash to earn income so it is on account of income on the surplus funds which we had this year.
- Gaurav Jogani:** Okay and Sir on the consolidated level the other income has increased quite substantially, so is there some dividend payout also from subsidiary or anything of that sorts?
- Rajesh Sharma:** There is a dividend payout from subsidiary, but that gets knocked off so at the consolidated accounts also the subsidiary dividend is not factored so whatever other income has gone up in the consolidated accounts also is on the account of the income from surplus funds, which he had this quarter.
- Gaurav Jogani:** Sure and Sir one more thing you just related that there has been some sluggishness in the wholesale trade so we have taken various initiatives in terms of distribution expansion or direct reach and other stuff, so how is the outlook on that front, are we doing something to mitigate that because if you see other companies, despite been some high bases they are able to perform so where has been a difference with our company versus the others?
- Mohan Goenka:** Gaurav it depends on the category because we are not really directly comparable to the other companies because the brands are very different. Where we have struggled is because of the election, there was a slow down in rural, we suffered on cooling oil category, otherwise we could have done better, yes of course Fair and Handsome has declined because of the general slow down, but otherwise, I would not say that other categories have really struggled. Kesh King has grown in these challenging time, 7 Oils in One also grown so now that the monsoon has delayed, but it has set in, so we would see the numbers for balms and other brands also in this quarter.
- Gaurav Jogani:** Sir with regards to the Pancharishta portfolio, I mean in the healthcare, the growth has been very patchy in terms of the quarter, so are we taking any specific initiatives to revive growth in that particular segment?

- Mohan Goenka:** Of course any category or any brand which degrows, you take a lot of initiatives so Pancharishta is also one of them, but you are right, we are seeing Pancharishta has come to a base and to grow from there has been a challenge, so let us see I do not see that it would really bounceback in this quarter or the next quarter, it has come to standard base now.
- Gaurav Jogan:** Sure that is from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Venkatesh Sanjeevi from Pictet Asset Management Ltd. Please go ahead.
- Venkatesh Sanjeevi:** Just wanted to get this understanding on ANP so there was 10% decline this quarter and you are saying that for the year, you still be under similar level as last year is that right?
- Mohan Goenka:** Right.
- Venkatesh Sanjeevi:** You think it will accelerate going forward?
- Mohan Goenka:** Yes, slightly.
- Venkatesh Sanjeevi:** Sir this particular decline now is it across the broad or is it less focus on some category, some brands?
- Mohan Goenka:** No it is across the broad, not pertaining to a particular category.
- Venkatesh Sanjeevi:** How is the thought process because when there is a slow down and you also just step up for brand investment it could have some long-term consequence as well so just wondering how do you think of plus and minus of ANP?
- Mohan Goenka:** No so Venkatesh I think advertising can always be increased in five days versus the demand coming on. Having the return on that investment advertising is a big cost and is it not cut through competition that if we reduce our advertisement, somebody will come and take our shares that day.
- Venkatesh Sanjeevi:** Right.
- Mohan Goenka:** We take a very judicious call, we understand it may have a little repercussion, but our competition is less so we do not think it would have such a big impact, we have seen that when we have reduced also at times not that we have lost market shares to anybody,

advertising rates have also come down a bit, some cost has come down, and that is why said see the time is what is our sense that the rural is a little slow, let us wait for the markets to revive a bit, we can also increase our advertising nothing stops us from that.

Venkatesh Sanjeevi: Okay right. My next question is on Kesh King again this has grown 30% right for this quarter, but you also mentioned you are expecting for 15% to 17% sort of growth for the year so again is that right with the slow down?

Mohan Goenka: You are right. Last year base numbers, after the relaunch so now that will set in. The last year now base is very high.

Venkatesh Sanjeevi: On the international business how does inventory work here I mean what sort of inventory levels has maintained in international business?

Mohan Goenka: As far as the international business is concerned, our depots are at the distributor level. Distributor level inventory would be about 50, 60 days inventory.

Venkatesh Sanjeevi: I am wondering the growth you have seen this quarter, is it some bit of inventory which has been filled which could have sort of normalized going forward or is it genuine demand at the end?

Mohan Goenka: No we have not built in any inventory at the distributor level and as far as international is concerned, organic growth is 10% and balance is because of Crème 21.

Venkatesh Sanjeevi: International overall is the margin level superior to the domestic business or is it lower?

Mohan Goenka: No it is slightly lower compared to our domestic business.

Venkatesh Sanjeevi: Right and last question from me is the promoter pledge situation how comfortable are we now after the recent transaction in terms of payments in due near term?

Mohan Goenka: No Sir as always we are committed to reduce our pledge and hopefully in the next six to nine months, you would see significant reduction in our pledge.

Venkatesh Sanjeevi: Okay, thanks.

Moderator: Thank you. The next question is from the line of Harit Kapoor from Investec. Please go ahead.

- Harit Kapoor:** Sir one question on 7 in One Oil brand, just wanted to know how big is this now in the overall context of the domestic business, secondly on that is what you think is working because the last few quarters growth has been pretty strong and third thing is which size is really seeing a strong growth, we understand that even in the hair oil category also specially in the light hair oil lower price packs at Rs.10 are seeing a good growth so just wanted your understanding?
- Mohan Goenka:** I think the concept is catching up as far as 7 Oils is concerned, we are getting repeat demands from wherever we have launched from the existing consumers, but in 7 Oils in One, the biggest selling packs are the large size packs, not really the small size packs so in above of 100 ml so that definitely gives us answer that the consumers are very loyal and their buying repeatedly and there is big word of mouth also because of the quality of the product, we have also invested big time on this brand we have advertised heavily and we are seeing positive results.
- Harit Kapoor:** Approximately Mohan ji how large would this be as a percentage in domestic business?
- Mohan Goenka:** Domestic business is very small I think it would be not more than 1.5% to 2%.
- Harit Kapoor:** Got it so you think that formulation and your communication good seemed to be working as you are driving growth in this one?
- Mohan Goenka:** Absolutely because we are getting good growth so we are investing also behind this brand.
- Harit Kapoor:** Got it that is the only question for mine. Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Bhavesh Shah from CLSA. Please go ahead.
- Bhavesh Shah:** First question is on international side what is the share of Crème 21 in your overall international portfolio?
- Mohan Goenka:** For this quarter it is about 17%.
- Bhavesh Shah:** Okay and Sir overall growth of 34% in international portfolio, I mean 10% ex-Crème, what is the growth on constant currency basis and if you can just share some thought of currency plays which has helped in this quarter or any thoughts on that?

- Mohan Goenka:** So there has not been any material impact of currency in this quarter Bhavesh.
- Bhavesh Shah:** So this 10% growth for the rest of the portfolio that is including Crème is more or less on the constant currency basis.
- Mohan Goenka:** Right.
- Bhavesh Shah:** Okay and for the full year did you mention somewhere that you are guiding for 17% to 18% kind of growth?
- Mohan Goenka:** For the international business?
- Bhavesh Shah:** For the international business, yes.
- Mohan Goenka:** For the international business it looks like we would grow much faster than the domestic, it should be about more than 15% growth.
- Bhavesh Shah:** Sir secondly just I am curious to know some more thoughts on your commentary where you mentioned that you would like to go slow on your NPD pipeline especially in the context that you will be having some marketing lever as well as we go into second half and again if you look at your commentary you seemed to be little more hopeful of government initiatives etc., so can you share some more lights on your NPD portfolio that what you really going very slow in FY2020 and looking only FY21 or any more thoughts on that Sir?
- Mohan Goenka:** As I said that the products are ready, they are in the pipeline. What we have seen that there has been general slowdown so we can always launch the product the day we decide; if the risk reward is not favorable so it is wise because the investments or any new launches today have become very big so we can always launch, may be in this quarter or next quarter the day we see, we are tracking Nielsen, we are tracking market on a day-to-day basis. The day we realize that most markets are bouncing back, the monsoon has been now favorable, rural demand is coming in or we are getting some positive response from the market, we can always launch any of these brands.
- If I launched all those and I invest their Rs.50 Crores or Rs.100 Crores on new brand and if I do not get the desired results and what is the point, I will only blame that the economy was not good why did we launch.

- Bhavesh Shah:** No Sir I was thinking from the context that given the market is a little slow probably and innovation or probably new launches will help you to get that incremental growth given that category growth rates...
- Mohan Goenka:** It does not work that way why would people buy where there is a slow down, they would first buy the necessity items.
- Bhavesh Shah:** Sure.
- Mohan Goenka:** I have to invest Rs.50 Crores, Rs.100 Crores if I have to launch new brand. First I have to protect my own portfolio, first I have to grow this portfolio so then I could not always launch those.
- Bhavesh Shah** Finally on the modern trade side you did mention that it is now almost 9% of your portfolio, which is certainly I am pretty sure, it is not the highest that you have been getting now, so on your ANP strategy, are you re-looking on your ANP strategy in terms of ads spent, how much you do on TVC, how much we are doing digital any thoughts on that, are you re-looking at ANP strategy given that now modern trade e-com would be much bigger pipe for you?
- Mohan Goenka:** No of course as far as digital is concerned we are really investing big on digital advertising big in the sense compared to the numbers that we have, but I think as I said the earlier if you see our modern trade growth was also in excess of 40%, 50%, it is now come down to 17%, I think it would stabilize at 10%, 11% for us, so no big change in strategy, previously we used to spend very less on digital now that has increased significantly.
- Bhavesh Shah:** Okay and Sir final question on the wholesale channel you have also mentioned in your commentary that wholesale channel seemed to be quite stretched so where do you see this going, because they have been under pressure for quite sometime now so any thoughts, anything specific, are you hopeful of even recovery in wholesale channel going forward and how much your index to it if you can share more thoughts on that?
- Mohan Goenka:** Our wholesale contribution still is at 40% to 42% and there is liquidity crunch in that particular channel. When that would bounceback, the only condition is that the monsoon has set in now, almost in every part of India so if it is normalized then hopefully may be in the next quarter or two to three months, we should see some bounceback.
- Bhavesh Shah:** Okay perfect Sir thank you so much and all the best.

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

Kaustubh Pawaskar: Sir few quarters back when we met, there was definitive plan for most of your brands like Kesh King, 7 Oils in One even the Zandu portfolio, male grooming and international business. We have seen growth coming back for Kesh King, 7 Oils in One and even international business did extremely well for this quarter, the only thing, which is likely the Zandu portfolio and the male grooming. In Zandu we had plans like growing the portfolio on Ayurveda platform launching women centric products, having different channels to promote the products. So, is there any change in the strategy for Zandu or you are working for something else to look for Zandu portfolio to regenerate growth?

Mohan Goenka: There has not been any change, we still remain very bullish as far as healthcare range is concerned, we have launched certain brands as I have continuously maintained that there has been some slowdown we have also slowed down our launches and our promotions on these brands, brands are already there in the marketplace. Once the right opportunity comes, we will see some momentum we would be again become very aggressive, we have a separate channel as far as healthcare range is concerned, we have strengthened that channel also the distribution in that channel so things are very much in place.

Kaustubh Pawaskar: No because the growth rate seems to be quite volatile we have not seen this category performing that well for even though you have strategies in place so will it take some more time for the portfolio to come back on track or something like that?

Mohan Goenka: Healthcare may because, it is primarily the growth will drive by Pancharista and Pancharista has not grown in this quarter, so we have seen some drag. Once Pancharista bounces back then you would see a big growth on healthcare also.

Kaustubh Pawaskar: What about male grooming Sir because even that categories is not doing that well because Fair and Handsome obviously is not working well for you and there are some of the other brands as well as in male grooming categories so when can we see growth coming back in the male grooming space?

Mohan Goenka: I had told earlier also that it is discretionary item and because of general slowdown, we are seeing some slowdown in Fair and Handsome. So we have a definite plan, we are making an aggressive call as far as this brand is concerned to at least see there is no decline and we can get back to do growth levels, we are taking a lot of initiatives as I told last time

also, BCG is working on the strategy let them come up with strategy. We still have 66% market share despite of stiff competition we have been able to maintain this.

Kaustubh Pawaskar: Okay so one question on the distribution front, currently what is our distribution reach and where do you expect it to at the end of the year?

Mohan Goenka: We have reached our target of 9.5 lakh outlets now and hopefully we want to maintain at these levels as far as direct reach is concerned.

Kaustubh Pawaskar: Okay and Sir one final one, any significant capex we are planning to do?

Mohan Goenka: No there is nothing significant, just ongoing capex.

Kaustubh Pawaskar: Okay thank you Sir.

Moderator: Thank you. The next question is from the line of Kunal Vora from BNP Paribas. Please go ahead.

Kunal Vora: Thanks most questions were answered, just wanted to check that you said you are working with BCG, you mentioned last time as well, what has been progress there and when can we expect result from the ground on Fair and Handsome?

Mohan Goenka: May be by third quarter.

Kunal Vora: So you already have some plan in place now or already rolling out some.

Mohan Goenka: Yes.

Kunal Vora: Any impact of Ind-AS which you had on numbers, because I think there is anything meaningful like anything to highlight there, Ind-AS 116 impact?

Rajesh Sharnma: There is no significant impact on Ind-AS for us.

Kunal Vora: Not even on EBITDA level?

Rajesh Sharma: Nothing no impact.

Kunal Vora: Okay thank you Sir.

- Moderator:** Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking Ltd. Please go ahead.
- Shirish Pardeshi:** Just few questions extending from the previous, healthcare if I understand correctly is the different sales channel which we have in India, so is that sales channel is also having the liquidity issue or offtake?
- Mohan Goenka:** Healthcare the channels are more or less the same, there is liquidity crunch everywhere, but healthcare, if you see the major decline is due to Pancharista.
- Shirish Pardeshi:** Sir I am saying that there are lot of initiatives, which the government is trying to take so do you think that second half is going to be better for us because I guess seasonality factor will be having the base effect?
- Mohan Goenka:** Yes, as I said we are hopeful that we would end the year with better numbers than what we had in the first quarter.
- Shirish Pardeshi:** Because why I am asking this question is last three, four quarters we have seen that there is a decline in rural sales and there is whole offtake issues so my sense is the rural inventory level would have significantly come down because if seasonality factor has not actually panned out the way we thought, so trade would not stop so the inventory at the trade level would have significantly come down, is that the things which is what you are experiencing?
- Mohan Goenka:** Not really we have not seen as far as our dealers are concerned in the rural areas or even urban areas, the inventories have not really come down, secondary have been slightly poor only.
- Shirish Pardeshi:** In terms of international sales, this Crème 21 we have launched or we have rolled out in Middle East, is there any plans that we will take it to other country also?
- Mohan Goenka:** Definitely, but as of now we will stick to these markets.
- Shirish Pardeshi:** Is there any production constraint we have this product?
- Mohan Goenka:** No there is no production constraint.
- Shirish Pardeshi:** And this is purely all MENAC and SAARC countries it has gone or it is only Middle East it has gone?

- Mohan Goenka:** It is Middle East where we get almost 50% of the business.
- Shirish Pardeshi:** Okay and other question is on BCG, so this year in Q3 the winter season which will start so it will get launched before the winter or we will launch during the winter?
- Mohan Goenka:** There is no launch or re-launch, it is just the strategy because brand is well in trust, we have significant market share so we would just slightly recheck the strategy.
- Shirish Pardeshi:** So this is more on to do with go to market strategy reaching distribution?
- Mohan Goenka:** Absolutely.
- Shirish Pardeshi:** The other take I wanted to understand the hair oil market which we have seen very, very volatile performance the whole category shift which is happening, so you also mentioned that Navratna though you have not seen the change in the category mix, but surprisingly 7 Oils in One which is getting more offtake so is that the consumer trend is also shifting towards the something which is value add or which is functional is that the thing which you are experiencing?
- Mohan Goenka:** 7 Oils in One is very small base compared to Navratna, consumers are very different as I said the concept is working good with the young consumers so we are seeing this kind of numbers. We are also being very aggressive as far as advertising of 7 Oils in One concerned.
- Shirish Pardeshi:** Okay the next question is on advertising spend so is that the quarter of which last four, five years we are seeing that this reach is towards promotion and less on advertising is that the thing which you would read from the lower ad spends in this quarter?
- Mohan Goenka:** Promotions has always been part of our strategy, this quarter also we have definitely increased our promotions so going forward depending on the market, the demand scenario, we keep on changing those strategies.
- Shirish Pardeshi:** I am just trying to understand you said do we need to conserve the cash so do you think significant.....
- Mohan Goenka:** Conserve cash primarily on new launches, not on existing brands.
- Shirish Pardeshi:** But still you will maintain the SOE, SOM for your core product portfolio?

- Mohan Goenka:** Of course.
- Shirish Pardeshi:** One last question in the exchanges filing what you have given in terms of filing Sir? there is one line item which says that Brillare Science and Private Limited you have increased substantial stake which is at 34.67%, I want to understand what is this business and what are the synergies which we have with them?
- Mohan Goenka:** That investment we already had that is part of our terms that we had with them so we had to increase our stake and we have increased it.
- Shirish Pardeshi:** Now it has become the associate company, so what is this company to do with us?
- Mohan Goenka:** Their products mostly sell in salons mostly in the skin care and hair care so it is a little high end product, so we wanted to explore this market so we have invested in that company. It is a very small investment to try it out.
- Shirish Pardeshi:** What is the quantum of that investment?
- Mohan Goenka:** That would be about Rs.15 Crores or so.
- Shirish Pardeshi:** How long we will take to acquire 100% stake in this company?
- Mohan Goenka:** That is not an idea that we will acquire 100%.
- Shirish Pardeshi:** We now have significant holding around 35% so are we waiting for how this is going to pan out and contribute meaningfully to our topline?
- Mohan Goenka:** It is very small Shirish in our overall scheme of things, we have no plans to increase our stake, it will remain at these levels, we are working with them to see how can we grow the business, we do not run the business, it is run by them only.
- Shirish Pardeshi:** Okay all right that is from my side. Thank you and all the best.
- Moderator:** Thank you. As there are no further questions, I will now hand the conference to the management for closing comments.
- Mohan Goenka:** Thank you for joining our call. Thank you all the participants and thank you IIFL for arranging this conference call for us. Thank you.

Moderator: Thank you very much. On behalf of IIFL Securities that concludes this conference. Thank you for joining us. You may now disconnect your lines.