



“Emami Limited  
Q4 FY '23 Earnings Conference Call”

May 25, 2023



**MANAGEMENT: MR. MOHAN GOENKA – VICE CHAIRMAN – EMAMI LIMITED**  
**MR. VIVEK DHIR – CHIEF EXECUTIVE OFFICER – INTERNATIONAL BUSINESS – EMAMI LIMITED**  
**MR. VINOD RAO – PRESIDENT SALES – EMAMI LIMITED**  
**MR. GUL RAJ BHATIA – PRESIDENT – HEALTHCARE – EMAMI LIMITED**  
**MR. RAJESH SHARMA – PRESIDENT FINANCE AND INVESTOR RELATIONS – EMAMI LIMITED**

**MODERATOR: MR. DHIRENDRA KUMAR – IIFL SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Emami Limited Fourth Quarter FY '23 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dharendra Kumar from IIFL Securities Limited. Thank you, and over to you, sir.

**Dhirendra Kumar:** Hi. Good afternoon, everyone. This is Dharendra here from IIFL Securities. We are pleased to host the management of Emami Limited today. And on the call with us, we have Mr. Mohan Goenka., Vice Chairman; Mr. Rajesh Sharma, President, Finance and IR; Mr. Vivek Dhir, CEO International Business; Mr. Vinod Rao, President, Sales; and Mr. Gul Raj Bhatia, President Healthcare Division.

Without further ado, I'll hand over the call to Mr. Mohan Goenka.: Over to you, sir.

**Mohan Goenka:** Thank you, Dharendra. Very good afternoon, ladies and gentlemen. Thank you for joining us today. I welcome you all to this conference call on Emami's results for the fourth quarter and year ended FY '23. The industry is currently experiencing a mixed demand environment with discretionary categories like personal care continue to remain muted as consumers, especially in the rural areas, are reducing nonessential expenditure.

Inflation in rural areas reached 6.8% in FY '23, the highest level in the previous 9 years. The rural inflation surpassed urban inflation for the first time since FY '18. Additionally, excessive rainfall in many areas of the country in March impacted the demand for summer products. In the given macroeconomic environment, our overall revenues at INR836 crores grew by 9% in the fourth quarter of this financial year.

Our domestic business grew by 5% over previous year in Q4. For the full year, our revenues at INR3,406 crores grew by around 7%. Domestic business grew by 4% on a very high base of Pain Management and Healthcare products. Excluding sales from both these categories, our domestic business grew by 10% in FY '23. Dermicool and The Man Company contributed around 10% to the consolidated revenues in the fourth quarter and by around 6% in FY '23.

Coming to our brand-wise performance, Navratna range declined by 3% during the quarter but grew by 2% on a 4-year CAGR basis. For the full year, it grew by 6%. Kesh King range grew by 1%, both during the quarter and full year. Male Grooming range grew by 29%, and BoroPlus range declined by 25% in the fourth quarter. They grew by 3% and 1%, respectively, in FY '23. Pain Management range and Healthcare range, being COVID contextual categories, witnessed corrections during the year.

Pain management range corrected by 9% during the quarter, but grew by 7% on a 4-year CAGR basis. For the full year, it corrected by 14% but grew by 7% on a 4-year CAGR basis. Similarly,

Healthcare range declined by 13% in the fourth quarter, but grew by 8% on a 4-year CAGR basis. In FY '23, Healthcare range declined by 12%, but grew by 8% on a 4-year CAGR basis. Also, I'm happy to share that most of our major brands have increased their household penetration level during the year.

Our sustained interventions and marketing efforts for all our brands have ensured that they have not lost any market shares and, in fact, have cemented their leadership position in their respective categories. Our innovation pipeline continued to plug gaps in our existing portfolio, and I'm happy to share that we launched around 20 products in FY '23 with the majority being digital-first launches on our D2C portal Zandu Care.

While our recent launches contributed more than 3% to our domestic sales in FY '23, they contributed around 7% to modern trade and 20% to e-commerce sales. In quarter 4 FY '23, we have launched Zandu Fast Relief spray recommended by Indian Association of Physiotherapists. We have seen continued growth in modern trade and e-commerce since the several past quarters.

The trend continued in Q4, where modern trade grew by 18% and e-commerce grew by 64%, increasing their saliency to more than 20% of domestic sales, a 500 basis point jump over previous year. This, along with our continued distribution efforts have helped reduce our dependency on wholesale channel.

Our international business continued its stellar performance, growing by 19% in Q4 and by 20% in FY '23, despite of high inflation and several key markets facing challenges like currency depreciation in Bangladesh, economic crisis in Sri Lanka, forex and liquidity crisis in Nepal and ongoing political conflicts in CIS countries.

The growth has been mainly driven by strong performance by our power brands in the markets of MENA, CIS and Bangladesh. As expected, the quarter witnessed some moderation in input costs, which led to an expansion of gross margin by 60 basis points at 63.1% during the quarter.

Despite integration of our subsidiaries, which are in investment phase, our EBITDA at INR200 crores, grew by 22%, with margins at 23.9%, expanding by 260 basis points. Our profit before tax at INR148 crores grew by 51% over the previous year.

For the full year, EBITDA at INR863 crores declined by 9%, but compared to pre-COVID period, it grew by 4% on a 4-year CAGR basis. Our EBITDA margins, excluding strategic investments at 26.7% are close to pre-COVID levels and including strategic investments, they stand at 25.3%.

Profit before tax at INR670 crores declined by 3% over previous year, but grew by 14% on a 4-year CAGR basis. Going ahead, we expect the growth momentum to improve in FY '23 driven by a mix of macroeconomic support and our internal interventions. Our investments in new age start-ups like The Man Company and Brillare, have not only given us insights in the digital front, but also accelerated our growth levers.

With inflation moderating, the upcoming quarters look promising for the industry due to declining commodity prices, better monsoon, higher crop realization and continued government interventions. With this brief, I now open the floor for Q&A. Thank you.

- Moderator:** Our first question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.
- Shirish Pardeshi:** Start with -- I have a few questions, but I've been wanting your direction. In the quarter, our employee cost has gone up by 16.8%, and other expenses has gone up by 20%. While expense has declined, the revenue momentum is still muted, and these costs are going up. Is there any explanation here?
- Rajesh Sharma:** The costs have gone up because we have also integrated The Man Company subsidiary since third quarter. So these expenses were not there in the base quarter of last year's Q4.
- Shirish Pardeshi:** Yes. But if you take out that effect, what will be the number look like?
- Rajesh Sharma:** So that would be in the range of around 10%, 11% kind of.
- Shirish Pardeshi:** Okay. And similar impact is there in the other expenses also?
- Rajesh Sharma:** Sorry, in the?
- Shirish Pardeshi:** Other expenses also?
- Rajesh Sharma:** Right. Other expenses. Apart from that, as we have taken up a few distribution projects. So on account of that also, we have spent some money, project cost and other distribution initiatives. But again, because of The Man Company etc, the costs have gone up by around INR9 crores, INR10 crores in the quarter.
- Shirish Pardeshi:** So just a follow-up here. Could you share for FY '23, the entire revenue for these 2 subsidiaries?
- Rajesh Sharma:** So as Mohanji mentioned in the call that both Dermicool and The Man Company, which were not there in the base quarter, have contributed roughly 10% in this quarter. And for the full year, it is around 6%.
- Shirish Pardeshi:** Okay. Okay. One more follow-up here. The ad spend has now settled to around 15.5% of net sales, which has come down almost 300 basis points. So in FY '24, where do we look at the ad spend? I mean, obviously, I can understand the season has not done well, so maybe you'll have withdrawn some ads. But any indicative number you -- or any target you were planning to have in FY '24 for ad spend?
- Rajesh Sharma:** So for this year, the ad spend is in the similar to last year. Where as last year, we had spent around 16.5%, this year also similar spend is there. So next year, we hope to be within a similar range, however we would endeavor to spend a little more. So it can be in the range of 16.5% to 17%, kind of.

- Shirish Pardeshi:** Okay. And on brands, I have two questions. One on the Fair and Handsome. What is it that you have done? Is it purely the ad spend or because the commentary what Mohanji gave, the discussion demand is under pressure. Even if you look at quarter 4, the Male Grooming segment has grown 29%. Is it the consolidation effect there? Or it's purely the distribution gain what we have got?
- Mohan Goenka:** Shirish, it is primarily due to the base impact because last year due to COVID in quarter 4, the Fair and Handsome had -- did not perform so well. So that's why in quarter 4, it has grown at 29%.
- Shirish Pardeshi:** But last 45 days, do you think the similar growth is there?
- Mohan Goenka:** No, the growth is not 29%, 30%. So it has moderated. Now the growth should be somewhere in single digits.
- Shirish Pardeshi:** Okay. Okay. And my last question on the brand. So the -- any word why the Healthcare business is declining so much? And how much the correction you can expect in next 1 or maybe 2 quarters?
- Gul Raj Bhatia:** So I think the correction, as I mentioned, in the last quarter, would -- there was some correction which happened in the last quarter also. But from this quarter onwards, we'll be on a growth track. So both in the OTC business, and in the medical business, we will be having good growth. So the base effect of the COVID, certain categories rose, such as Chyawanprash, etcetera, was there till last quarter also, which should get nullified from now onwards.
- Shirish Pardeshi:** Yes. So why I'm a little surprised...
- Gul Raj Bhatia:** I'm sorry.
- Shirish Pardeshi:** Yes. No, no, I just wanted to check with you. I'm a bit surprised because what Mohanji said that we have launched many new products. There is an effort which is expanding on the Zandu online business also. And despite that, there is a decline. So I'm a bit worried. I mean, I was expecting a flat number. I'm not giving a target, but I was expecting a flat number, but the cut is little higher.
- Gul Raj Bhatia:** Yes. So if you look at the previous year, which is basically the periods of -- there were two COVID rates that had happened. One happened in the period of April, May, June '21. And then there was a second wave which happened in January, February '22 Omicron. So during those periods, we had done reasonably well in terms of growths of the immunity range, both on the medical side and on the OTC side. So that has actually impacted us, our growth this year due to the base effect of this.
- Moderator:** Thank you. Our next question is from the line of Prakash Kapadia from Anived Portfolio Managers Private Limited. Please go ahead.

**Prakash Kapadia:** Yes. A couple of questions from my end. Given that we've mentioned there were unseasonal rains in our opening remarks and in the PPT. So what is the demand on summer portfolio? Because a quarter ago, we were confident of double-digit growth happening in FY '24. So clearly, summer portfolio seems affected. So how do we look at FY '24 given that we've seen this disruption again in the summer portfolio?

**Mohan Goenka:** So Prakash, we will have to wait because summer, we still have one month to go. But, yes, you are right that the summer has been weak as far as last two months are concerned because of the rains in most parts of India.

So let us see, let us evaluate, but other than summer products, because what we have seen is encouraging, that all the other categories, whether it is pain or Fair and Handsome or Kesh King or Healthcare, all are firing. So there is some momentum what we are seeing it from the rural markets and from all other markets. The only issue is the summer portfolio. Yes. If the summer would have been favorable, then I'm sure the growth would have been very good.

**Prakash Kapadia:** And Gul Raj was mentioning about Healthcare. So given Healthcare and pain management, is there visibility of growth happening in '24 and beyond because the base seems favorable? Gul Raj did mention about Healthcare. What about pain management?

**Mohan Goenka:** Yes. So pain management is also doing well in these last two months.

**Prakash Kapadia:** So there seems to be visibility for growth in these two large categories, Healthcare and pain management, for us?

**Mohan Goenka:** Yes. On all the other categories also, as I said, other than just the summer because very clearly, we are seeing some issues only on the summer portfolio.

**Prakash Kapadia:** All right. And lastly, Mohanji, on our subsidiary and associate companies, could you give us some road ahead? I think Brillare last year was INR82 crores sales, Brillare Science was around INR17 crores, INR18 crores of sales. What kind of trajectory and growth they have seen? What is the road map? What was the path to profitability and scale? If you could give us some direction on these, that would be appreciated.

**Mohan Goenka:** So they are at initial stage here, Prakash. And this year, we have taken very aggressive numbers as far as the start-ups are concerned. Most likely, we are expecting at least a 50% to 60% growth from these start-ups in this year. That is the target that we have set in. We are more bullish on The Man Company.

**Prakash Kapadia:** Yes. And what kind of growth would that have seen in FY '23?

**Mohan Goenka:** Around 40% growth in The Man Company.

**Moderator:** Thank you. Our next question is from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

**Abneesh Roy:** My first question is on the summer categories. So you're an expert in the FMCG. So when you see the numbers for summer categories of other companies, for example, the beverage business of Dabur, also Varun Beverages, there we see very high growth in Q4 and my sense is even possibly in Q1. Against that, when you speak of the slowdown still in your summer categories, what would be the reason because, broadly, the things should be very similar, right? You can't have such a big difference?

**Mohan Goenka:** No, Abneesh, we would have to wait and watch because our intelligence says that everyone is suffering in these last two months. The summer was good because they had a bad base. That's why the fourth quarter did very well as far as the beverages are concerned. But as you rightly said, we have a large summer portfolio, and we are in touch with the market. Every company who has summer portfolio is suffering.

**Abneesh Roy:** Right. Okay. Second is in terms of your start-up business, you mentioned your target for FY '24 is 50% to 60%, which is, in fact, an acceleration versus the 40% fee on The Man Company. In that, what is giving you the confidence because we are seeing generally the D2C and start-up business now facing challenges given customer has completely gone back to the traditional ways of buying in terms of pre-COVID behavior, so what is giving us the confidence in this?

**Mohan Goenka:** This year also, Abneesh, we grew by 40%, as I said. There are a couple of new initiatives that we are taking in The Man Company and our experience in e-commerce we have integrated with them. You have seen our growth momentum in the digital front. So there are a couple new launches that we have planned, and we are going to invest heavily as far as the male grooming is concerned. So of course, their team is looking after The Man Company, and they are very confident of achieving at least 50% to 60% growth with the investments that we have set in.

**Abneesh Roy:** Right. And my next question is on Dermicool, which has...

**Mohan Goenka:** And also expecting it to be profitable next year as far as The Man Company is concerned.

**Abneesh Roy:** But not in FY '23, right?

**Mohan Goenka:** Not this year. This year was not profitable. But next year, we expect The Man Company to be profitable.

**Abneesh Roy:** My next question is on Dermicool. So this was the first full year after the acquisition. So could you take us through what changes happened? How is the final number of FY '23 looking and was it's initial revenue expectation?

And in terms of the brand, now you have two different brands in the same category. So any thought on the two separate brands you want to continue longer term? And in terms of pricing, positioning, promotions, etcetera, how things are different between the two?

**Mohan Goenka:** So this was well calculated at the time of acquisition, Abneesh. Both brands don't compete with each other because Dermicool is a prickly heat powder, whereas Navratna cool talc is a general purpose cooling powder. So both really don't compete.

They also don't compete on the SKUs because Navratna, primarily the sales come from a smaller SKU, which is priced at INR10. So that is the key selling SKU as far as Navratna is concerned. Whereas Dermicool, the sales comes from 150 grams. So they don't compete. The consumer profile is very different of a Navratna cool talc and Dermicool.

But last year, we did almost INR112 crores revenue from Dermicool. This year, we are expecting about 15% growth from Dermicool. But as I said, unfortunately, the beginning has been slow because of the summer. So let's see how much can we achieve, but that is what we have set the target as.

**Abneesh Roy:** Sure, sir. And final question, Kesh King 1% each growth in Q4 and FY '23. FY '24, how are things looking? I understand you had 30 ml SKU at Rs. 49. Apart from that, also last two, three years, you have done a lot of work in terms of new products, LUP, etcetera. So FY '24, how do you think Kesh King range?

**Mohan Goenka:** Kesh King range, Abneesh, is doing well in this quarter. So if the momentum continues, we are confident of about 10% growth in Kesh King.

**Abneesh Roy:** Okay. And for the full domestic business also, you think high single digit growth is possible this year?

**Mohan Goenka:** Yes, Abneesh, unfortunately, summer has been a little weak. But as I said, we are seeing some momentum coming in from the rural markets. And that's why we are seeing growth across the categories other than summer. So if the trend continues, we are very hopeful that it should be about 8% to 10% growth for the domestic business. What is very, very heartening is that the input cost pressure has really eased and we are seeing margin expansion. So we would be able to put in some money on advertising on most of our categories. So let us hope if -- other than Navratna portfolio or Dermicool, if all the other portfolio fires, then we are very confident of doing about 8% to 10% growth.

**Moderator:** Thank you. Our next question is from the line of Sneha from RSPN Ventures. Please go ahead.

**Sneha:** Good evening, everybody. Sir, as I read the report regarding the promoters to pledge their Emami Limited shares, so what are the plans for promoters to reduce the pledge?

**Mohan Goenka:** Ms. Sneha, in all my calls, we have maintained this consistency that we have identified certain assets...

**Sneha:** Yes.



- Mohan Goenka:** Yes. So we have identified certain assets. And once the transaction materializes, particularly the hospital one, you would see reduction in pledge.
- Moderator:** Thank you. Our next question is from the line of Harit Kapoor from Investec. Please go ahead.
- Harit Kapoor:** So first question on the A&P side. And this year, you've been at about 16.5%. You said that investments -- you'd like to invest more given that the margin tailwind is there at the gross margin level. So I just wanted to get your sense on which are the areas that we are looking to accelerate investments? You mentioned male grooming? Any other areas that we can kind of just talk about?
- Mohan Goenka:** Yes. So Harit, most likely, we are expecting our advertising to be in the range of about 17%, which is similar to this year. This year was 16.5%. So other than summer, because summer has not had a good beginning. Other than summer, we are up our expenditures in all the categories, all the categories, Healthcare, Kesh King, Fair and Handsome, balms, all the categories. We are expecting about 150 basis point expansion in our gross margins. So if we keep our advertising in the range of about 17%, there should be some expansion in our margins.
- Harit Kapoor:** Got it. And just on -- one more question on the margin side. Last time, I think we mentioned, the core margins of 27%. I think it is the -- outside the investment portfolio. Given the raw material environment, is the confidence level even higher on this number?
- Mohan Goenka:** Harit, it looks like, because it is really easing. So if the trend continues, because it's very difficult to say how because it's just the first quarter. So if the trend continues, yes, we are very confident of achieving more than 27%.
- Harit Kapoor:** Got it. The other one was on pricing. Typically, your model has always added a 3% to 4% pricing from a revenue management perspective. Is it fair to assume, given the material costs are the way they are, '24 will be more of a volume growth-driven year rather than anything on pricing, right? So that's a fair way to look at it?
- Mohan Goenka:** No, Harit, despite of that, we have taken some price increases. Our price increase has been in the about 3%, 3.5%. Yes. So if you grow at about 8% to 10% balance would be volume growth.
- Harit Kapoor:** Perfect. And just one question on rural. So you did mention that there is some kind of momentum that you are seeing. One is the year-over-year momentum given that rural has been fairly weak over the last 3, 4 quarters. But from your super stockists, etcetera, who you guys deal with on a regular daily basis, from a distributor, do you feel that some of this momentum is real and sticky, at least early signs? Obviously, ex your summer portfolio? Yes.
- Mohan Goenka:** No, definitely, Harit, as I said, that some of our portfolios like Male Grooming or Kesh King, even -- Kesh King, Fair and Handsome, balms, they are -- they have all started showing some signs of recovery in the rural markets. But unfortunately, the summer portfolio is pulling us down. But -- yes, there is some positivity when I discuss it with our team and also the dealers.

**Moderator:** Our next question is from the line of Ajay Thakur from Anand Rathi Securities. Please go ahead.

**Ajay Thakur:** I wanted to understand more on the distribution initiatives that we have undertaken. Can you please elaborate on the same? And also, if you can just spell out what are our targets in terms of the distribution increase for FY '24, '25 versus FY '23?

**Vinod Nandgopal Rao:** . So we've continued our investments in the Project Khoj, which is a rural expansion. So we've added close to 11,000 towns last year, and we've reached around 52,000 towns and villages at the end of financial year.

And we will continue to consolidate that because we've added a lot of van town and sub-stockist towns. We will consolidate, optimize. But at the same time, we will add the high throughput towns, we expect to add around another 8,000 towns and reach around 60,000 towns and villages by the end of next year financial.

And we've -- and if you take the chemist project, we added around close to 31,000 chemists last year, which takes us to around 1.3 lakh chemists across the country. And here, we don't plan to add more chemists, but we'll consolidate that business and derive business out of those expansion that we've done.

**Ajay Thakur:** Also just want to understand more in terms of the hair oil markets. So there have been, as most of the hair companies have actually shown quite a bit of a growth in the hair oil segment, even for Navratna, we have seen 6% kind of a growth. So just wanted to get your sense in terms of how you look at the hair oil market going forward? Can we expect the momentum to continue? What would be our aspiration in terms of growing the portfolio and Kesh King portfolio therein?

**Mohan Goenka:** So Ajay, as I said, the momentum is better than what we had experienced in the last few quarters. And other than Navratna because Navratna has been a slow start only because of the summer and nothing else.

But Kesh King is performing better than our previous quarters. So Kesh King being a little expensive product, we will still have to wait and watch. We have launched a small size also in Kesh King as a bridge pack. So -- as I said, we are confident that Kesh King should do about 10% growth. Navratna, we would have to wait and watch.

We still have 1 month to go as far as summer is concerned. So -- but we are bullish. We have performed it in the past. If you see 4 years CAGR everywhere, we have done about 6% to 7% growth. So we are not seeing any worrying fine as far as the hair oil portfolio is concerned because we have not seen any competitive intensities as far as Kesh King or cooling oils are concerned.

**Ajay Thakur:** Okay. And lastly, Mohanji, I just also wanted to understand more on the new innovation pipeline. What kind of segments we would be targeting going forward? Any more color on the same would be helpful.

- Mohan Goenka:** So I really can't be very specific on new product development, but they would be primarily in D2C. We are really focusing on the digital-first brands. we have done exceedingly well. Today, our modern trade e-com contribution is almost 20%. We have launched a lot of digital-first brands, identified a lot of digital first brands, some premium categories we have identified. So most of it is going to be in D2C.
- Moderator:** Our next question is from the line of Namant Satiya with Mirae Asset. Please go ahead.
- Namant Satiya:** Yes. Sir, could you please call out the organic volume growth for this quarter? I believe the overall volume growth is 2%. So -- see, excluding Dermicool and The Man Company, what would that number be?
- Rajesh Sharma:** Yes, Namant. So overall, Dermicool and The Man Company contributed around 10% to the top line. So that's the addition which we have got.
- Namant Satiya:** Okay. I was trying to get a sense on the volume -- organic volume growth numbers.
- Rajesh Sharma:** So organic volume growth was negative
- Namant Satiya:** Okay. Sure. And sir, secondly, a bookkeeping question. So in the standalone books, other expenses have jumped about 60%, 70%. Could you explain that?
- Rajesh Sharma:** Okay. In the standalone books, the other expenses have gone up because of the cancellation of dividend announced by one of our subsidiaries, Emami Bangladesh, which we had earlier accounted -- Because of the forex remittance problems in that country, Bangladesh, they have not been able to remit the dividend, which they announced in the beginning of the year.
- So they had to cancel the dividend because they are not allowed to repatriate the funds to India. So that amount has been shown as other expense in this quarter because the dividend stands cancelled from our subsidiary.
- Namant Satiya:** Understood. And adding to that, there's also another INR32 crores impairment as well that's included in other expenses in the standalone books again?
- Rajesh Sharma:** Yes. That is also for our this strategic investment on account of the Brillare Science because earlier, we had accounted for a lot of valuation gains on the investment in the standalone books and also on the options which we had.
- So now because last year, we have not seen significant growth in the numbers of Brillare Science, so against the projections, which we have considered earlier the actuals are lower, , we had to take some impairment on the investment against increase in the same, which we had considered earlier.
- Namant Satiya:** Sure. So, the dodges, is it possible to go through to the consol books of this or nothing in other expenses of consol books??

**Rajesh Sharma:** So on -- at the consolidated level, we have provided for some impairment in the intangible assets of the Brillare Science on a roughly INR8-9 crores. This is as per the valuation exercise done at a very conservative level.

**Moderator:** Our next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

**Shirish Pardeshi:** Yes. Rajeshji just to continue, that was my question, to get a little more depth. This impairment, what you are saying, is there any charge which will also get followed up in FY '24 or you've done one time?

**Rajesh Sharma:** Shirish, as I just mentioned, this impairment is done basis valuation on a very conservative side, this is the DCF valuations and I think DCF valuations don't work for the start-ups because if you look at any kind of market valuations, that is mostly on the multiples of revenue side. But still for the accounting part, we have taken this impairment. But going ahead, it doesn't look like that there would be any significant impairment going ahead. And for the standalone at least, we should be able to recover the amount which we have provided this year.

**Shirish Pardeshi:** Next question is on book keeping. How much MAT credit is still balanced and will be exercised in FY '24? And what is the steady taxes that we should build in for FY '24.

**Rajesh Sharma:** So FY '24 tax rate should be similar to FY '23 current year tax that you can consider because next year also we would be accounting for our MAT credit. And we will start utilizing our MAT credit from FY '27.

**Shirish Pardeshi:** Okay. My last question to Mohanji. I just wanted to be a little clear in my mind. Over the last 4 to 5 years, so I know you are at the mercy of season, things has not happened, we had COVID, we had good time, and now we are back to square one. So since the time you have become Vice Chairman, what are the tangible changes you have brought in, in terms of efficiency, throughput? Or maybe if you can highlight if things are under control or we can really expect something inwardly looking than outwardly?

**Mohan Goenka:** So Shirish, just the change in designation, it doesn't mean that there has been some big ticket changes because we were always at the helm of the business and driving the business. Of course, in the last 3, 4 quarters, what we have really invested is in terms of distribution, in terms of strengthening our manpower, strengthening the team, strengthening modern trade e-commerce, which we were lagging behind. Of course, there are challenges, as I said, it is very specific to summer. Other than that, I don't see any challenges. We have a very strong pipeline of D2C brand that you're going to see this year.

So if rural continues to perform well, I'm very confident that we will get back to 8%, 10% growth levels. International has stabilized very well. We expect at least 20% growth in the international business. Healthcare, Gul Raj is here, we expect at least 15% to 20% growth from the international business -- sorry, from the healthcare business.

So I think, overall, things are very much in control. Of course, there would be some ups and downs as far as the summer or the winter portfolios are concerned, if the season is favorable or unfavorable. But I would definitely say that things are very much in our grip. And if you take a slightly long-term view, then we are in a very good trajectory. That's what I feel.

**Shirish Pardeshi:**

That's good to know, Mohanji, but I'm still happy on my times. About 3 quarters before, we have shown a lot of momentum in Healthcare. We added feet on street, about 300-odd people were added. But when you look back and now when you compare, we have done from our bit, but if the market is not supporting, we'll come back and question you the seasonality factor.

But that's why I'm saying I'm a bit worried that really when you say things are under your grip, can we see a bright year in FY '24? I mean, seasonality will continue having its own effect.

**Mohan Goenka:**

So Shirish, I don't know what lens you look at. I have always maintained that we will not do anything for the short-term gains, okay. We invest for long term, and we will keep on investing for long term. So we are very happy on certain fronts. Of course, as I said, we have -- for all our categories, our penetration levels have gone up, but consumption levels, that overall has reduced for some categories. Other than the summer, I'm not seeing any challenge.

So the e-com, modern trade, international business, people, distribution, we have invested a lot. Digital-first brands, I'm saying we are launching a lot of digital-first brands. So there, from our lens, I think there is a lot that we have done, and we will see the results in coming quarters.

**Shirish Pardeshi:**

I agree with you, Mohanji, but the whole question for me is that when we can see the excitement in the stocks?

**Mohan Goenka:**

That is not in my hand, Shirish, and we can only do our job. And as I said, I'm very optimistic. I'm very happy that there should be some margin expansion this year.

And I hope that we invest that money on advertising to getting some new consumers. We have been able to contain our competitors as far as Kesh King, other categories are concerned, even Male Grooming is concerned. So there are some positive signs also.

**Shirish Pardeshi:**

Okay. And the last point, you have maintained over now the last 2.5 years that we will divest the non-core assets and the pledge things will happen. Is there any time line you want to say that? I mean, I know things are a bit little complicated on ground.

But if a hospital deal is not happening, do you have any momentum? Do you have any other plan to liquidate and get the pledge at the lowest level?

**Mohan Goenka:**

If the hospital deal doesn't happen, Shirish, we will have to get back to the drawing board. We would have to find certain alternatives, but I am very, very confident that the deal will materialize. It is just a matter of time.

The deal is signed, sealed, everything. We are just awaiting government approval. As soon as we get it, the transaction would conclude. It's just a matter of time. I think max of about 3 weeks to 4 weeks, that's what we think.

**Moderator:** Our next question is from the line of Bhavesh Jain from Enam AMC.

**Bhavesh Jain:** Sir, on this Bangladesh, any concern with this forex unavailability on the growth side because we are seeing a lot of headwinds related to economic growth also over there?

**Mohan Goenka:** So Vivek, you are there, can you reply?

**Vivek Dhir:** Hello, I'm Vivek this side. So like growth wise, why we don't see any issue. We have covered sufficiently for the material side, which material is imported into the country. And we are managing foreign exchange for purchase of material.

So that is happening. And we are very suitably placed in each and every categories within Bangladesh and growing over there. So growth wise, there is no issue over there.

**Mohan Goenka:** Any forex related issues, Vivek, you want to highlight?

**Vivek Dhir:** Sir, not as a concern for the business at the moment. Remittances are available for raw material purchases and packaging material purchases which we are doing. So there is no concern on that side as well. So we're able to run our business. And we are keeping our strategic inventory coverage as well.

**Mohan Goenka:** Yes, and we are very -- we are very, very confident, Bhavesh, that the international business should grow at about 20% for this year.

**Bhavesh Jain:** Okay. And sir, ex of this Helios, what will be our margins for the quarter and the whole year?

**Mohan Goenka:** Ex of Helios?

**Bhavesh Jain:** Yes.

**Rajesh Sharma:** It is around 27%.

**Bhavesh Jain:** For the whole year, right?

**Rajesh Sharma:** Yes.

**Moderator:** Our next question is from the line of Anurag Lodha from Axis Capital. Please go ahead.

**Anurag Lodha:** I just had one question. So you've taken these initiatives of [inaudible 0:50:07] distribution across towns, right? So sir, how is this driving revenue growth? Because, I mean, we've been adding a lot of towns aggressively. So I just wanted to get a sense on how is it driving growth

going ahead? And I just wanted to understand if there has been any lag from older distribution centers due to which the growth has been impacted?

**Vinod Nandgopal Rao:** Yes. So the rural growth, despite the headwinds that we face in the rural economy, and we've seen a slowdown across rural, that didn't stop us from investing there in rural.

And we looked at the high potential towns and villages. So we used a different model. We didn't go in concentric circles of looking at town clusters and then looking at a population, cutting and driving distribution. We looked at potential, potential with respect to our categories, and we drove distribution in that manner.

So that gave us a lot of confidence because we've got a very high repeat rate. So all the 11,000 towns that we've added, we've got repeated, so more than 85% per month on the expansion. That gives us a lot of confidence that we've added the right kind of towns and villages. And it has helped our overall rural expansion, which has gone from 32,000 2 years back, now we've almost doubled it. We almost had 52,000 towns and villages.

So what tends to -- can happen in expansion of this nature as and when you go a bit more directive, there could be some fallout and some impact of it on wholesale as a business because wholesale kicks in directly to this and we do not have too much control over that business.

But adding directly gives us a lot more control because these are then digitized, and we know exactly where the sales are coming from. So overall, I think once the demand kicks in, we will be able to see much better growths coming in from overall rural. And I think that the infrastructure has been created for even future.

So in a one-off year, one shouldn't look at it, you should look at it more in the long-term point of view. And that's why we've invested behind the rural.

**Moderator:** That was the last question of our question-and-answer session. As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Rajesh Sharma:** Thank you all the participants for joining us for today's earnings call of Emami. Thank you, IIFL, for arranging this. Thank you. Have a nice day.

**Moderator:** Thank you. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

*Disclaimer - The following transcript has been edited for language, errors and grammar and therefore, it may not be a verbatim representation of the call*