



“Emami Limited Q2 FY2019 Earnings Conference Call”

October 30, 2018



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Emami Limited
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Moderator: Ladies and gentlemen, good day and welcome to the Emami Limited Q2 FY2019 earnings conference call, hosted by IIFL Capital Limited. As a reminder all participant lines will be in the listen-only mode. 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 Sir!

Percy Panthaki: Hi, good evening everyone I would like to welcome you all to the Emami’s Q2 conference call and to take us through the results, we have with us from the company, Mr. Mohan Goenka and Mr. Rajesh Sharma. So over to you Mohan Ji!

Mohan Goenka: Thank you Percy and very good evening friends. I welcome you all to this conference call on Emami’s results for the Q2 and half year ended September 30, 2018. At the outset, I would like to inform you that the company has taken steps to address the past performance of Kesh King and Zandu Pancharishta. As you are aware, the rejuvenation of Kesh King with its new and contemporary packaging for shampoo and a special comb applicator for the oil has been received well by the market. We have also got Mr. Bachchan onboard for our Zandu brands. We have also taken corrective steps in addressing the inventory and distributor issue for the international market, which has started showing results and we are very positive that the H2 of FY2019 would be more promising. In this quarter despite challenges of erratic monsoons and slightly delayed winter coupled with a high base of last year due to restocking post GST, (volume growth of 10% in Q2 FY2018), the company witnessed a net sales growth of 1%. While the domestic business posted flat growth, international business grew by 4%. Despite restocking impact in the base quarter, Navaratna grew by 3%, male grooming range grew by 12%, 7 Oils in One grew by 36% and healthcare range grew by 1%. Decline in Kesh King and Pancharishta was arrested, which witnessed growth of 2% and flat growth for Pancharishta. However, Pain Management range and BoroPlus declined by 8% and 7% respectively on account of a higher base. Pain Management grew by 15% in previous year and BoroPlus grew by 38% in previous year.

As mentioned earlier, the Q1 and Q2 of previous year were impacted due to destocking and restocking on account of GST implementation. Half yearly performance review is therefore a better indicator as it neutralizes the impact both destocking and restocking in the base year.

In H1 FY2019, our revenues grew by 9% on a like-to-like basis. Navaratna grew by 13%, pain management grew by 8%, male grooming grew by 10%, Kesh King grew by 6% and healthcare grew by 11%. However BoroPlus declined by 9%. We continued to gain market shares for our key brands in Q2FY2019. Navaratna Oil volume market share at 66.2% grew by 250 basis points. BoroPlus antiseptic cream market share at 74.3% grew by 30 basis points and Kesh King volume market share at 28% grew by 30 basis points. Fair and Handsome and balms maintained their leadership in the respective categories with market share of 65% and 53.5%.

Due to increasing prices of material cost, gross margins at 68.6% declined by 30 basis points in Q2, EBITDA and cash profit declined by 6% respectively. EBITDA margins and cash profit margins stood at 30.2% and 26.1% respectively. However, our gross margins at 67.4% grew by 30 basis points in H1. EBITDA grew by 11% and cash profit grew by 10%. EBITDA margins at 25.2% grew by 110 basis points and cash profit margins at 22.1% grew by 70 basis points.

Our continued focus on modern trade yielded positive results. The channel grew by 45% in H1 FY2019 contributing 8% of our domestic revenues. We also enhanced our direct reach to over 9 lakh outlets, increasing our reach by 65000 outlets in H1 of FY2019. We are very positive on the prospects of Kesh King post its recent rejuvenation, and we expect to close FY2019 with double digit revenue growth. With this brief, I now open the Q&A and invite the questions. Thank you so much.

Moderator: Thank you. 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 thanks for the opportunity. My first question is on the oils business, 7 Oils in One I think 35-36% growth in Q1 and Q2, so where is it taking share from and what could be the size of this brand from annual basis, what is the size?

Mohan Goenka: So 7 Oils in One is getting encouraging response from across the country. Of course the present size is small, it is almost Rs. 28-29 Crores on a yearly basis, but we are trying to create a new market. It is a light hair oil, so it will take some time, but because it is a focus brand, I think it was a big opportunity in the light hair oil segment.

Abneesh Roy: And Sir, Kesh King, I see this new innovation which Indulekha also has, and Indulekha has been doing well for many reasons apart from the packaging. Second is you have gained 30 bps market share, so has Patanjali started losing market share because as an overall

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company, they are facing lot of headwinds. So this 30 bps is largely from them and are you quite hopeful of this new packaging?

Mohan Goenka: Yes, we are very hopeful because the last, since our launch, we have seen a big traction because the launch has also happened in the last 45 days. So if you see since relaunch, we have grown much more than what the growth we have got now. So I think if the trend continues, we will definitely see a good double digit growth in Kesh King and yes we have gained some shares from Patanjali, that is also true.

Abneesh Roy: And you have not taken the price hike post this comb applicator?

Mohan Goenka: We have taken almost about 8% price rise.

Abneesh Roy: And that was because of the gross margin some pressure or because of this new innovation?

Mohan Goenka: Yes, because of the new innovation, the cost of the applicator is also there.

Abneesh Roy: Sir my second question was not on the quarter specifically, wanted to understand, Sir, especially whereas you are also there, on the pledging part, there is some concern on the pledging, so wanted to understand, where is this getting deployed? What is the reason for this because I think there is a concern on this?

Mohan Goenka: So I would reassure that there should not be much concern, there should not be any concern. Of course, Emami is a big diversified group and we have many other businesses, which are mostly owned by the promoters. Now that you have asked, we have a cement business, which is almost 8.5 million ton. We have edible oil business, which revenues were Rs. 10,000 Crores last year. All these businesses are 100% owned by the promoters. So we have put money in those businesses and the money has gone there. As far as the market is concerned, we are keeping a close watch on our pledge and I assure every one that there is no concern at all. We have reduced some pledge percentages in the last two weeks and we are further going to reduce pledge in the coming week also.

Abneesh Roy: So it will become much lower than the current medium or long term?

Mohan Goenka: Yes, see two things have happened, one because of the price correction, the pledge percentages have gone up. As a policy, we have always kept that our pledge should not go beyond 35% to 38%, okay. But because the prices have corrected, the pledge percentages

have gone little higher. As I said, I will - in the next two to three weeks, we will try to bring it down below 40%.

Abneesh Roy: Sir that is helpful, just one followup here, because the businesses which you mentioned cement and edible oil, these are good businesses and this could be upfront capex etc., so in terms of cash flow, etc., there is no issue in those entities, right?

Mohan Goenka: Not at all, we have put in – there is no further capex in any of the businesses. So business is up and running. We have also filed a DRHP for cement for about Rs. 1000 Crores. So once the market condition improves, we will get that money also.

Abneesh Roy: And Sir lastly coming to outlook, you mentioned...?.

Mohan Goenka: Let us now focus on FMCG, okay.

Abneesh Roy: Yes, coming back to FMCG. Sir coming back to the outlook, you mentioned warm winter, delayed winter, there is liquidity, crunch, we all know on that, against that you see some impact in Q3 because it has been said that forecast is that it will be a warm winter?

Mohan Goenka: No, let us wish –winter has just started in the north, so it is too early for me to comment, but at least for the first three weeks, I am not seeing much of a stress. Normally we have seen in an election year, the market momentum increases for consumer sector. So we are hopeful that as I have said in first half, we have done a 9% growth, but by the year end, I am confident of doing a double-digit growth.

Abneesh Roy: Okay Sir. That is all from my side. Thank you.

Mohan Goenka: Thank you.

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

Prakash Kapadia: Thanks for taking my question. If I look at the other expenditure that is the non-ad and selling expenditure, it is up nearly 23% to 24%, what is this due to any one-offs in this? So the non-ad expenditure is up sharply on a year-on-year basis?

Rajesh Sharma: No, other expenses if you look for this quarter, has gone up by 6%.

- Prakash Kapadia:** In absolute terms, so if I look at the other S&A?
- Rajesh Sharma:** So last year same quarter it was roughly Rs. 66.5 Crores. Now it is Rs. 70.5 Crores. So it is around 6% increase only for this quarter other expenses.
- Prakash Kapadia:** And on the cool talcum powder, we have mentioned we have become number two in the category, congrats on that. If you could throw some light who is the number one category, what is the difference in the size as compared to us and I think last year we have launched the smaller pack, so do we see higher growth for us in the talcum powder because that is again a very good product.
- Rajesh Sharma:** Right, yes so Prakash, the number one player is Dermi Cool and we have gained good share from Nycil and also from Dermi Cool. Yes, the small pack sizes are going much faster than the bigger packs, the 20g pack, which is priced at Rs.7.
- Prakash Kapadia:** Okay and lastly if you could throw some light Mohan Ji on Fair and Handsome fairness cream, it has been in this range for quite some time. Obviously we know about some of the challenges on the distribution side, sentiment side, so when do we see higher growth coming for that fairness cream category. Because we know you were very bullish earlier and you were expecting good growth. So from here on do we see higher growth coming in that category?
- Mohan Goenka:** No Sir I think the fairness cream market is very large and still there is a big opportunity, because still there is almost Rs. 500 to 600 Crores, which is men who use female fairness creams. So that is a ready market. And our new advertising also caters to that. So we hope, of course, discretionary spend in this particular category has gone down a bit. And we have seen some challenges in the small size. So let us see, I think once the small size traction comes in, particularly in the rural market or semi-urban market, there can be a double digit growth.
- Prakash Kapadia:** And lastly Sir, you have mentioned about typical election year leading to higher spends for FMCG and consumer categories, any specific power brands you think which would grow faster, any precedence or any this thing among 6-odd power brand we have, anything which you think will grow faster than double digit in the near-term over the next few quarters?
- Mohan Goenka:** No Sir, if you see in the first half numbers also, Navaratna has done a double digit growth, the pain management also has been 8%, and male grooming has 10%. So by and large all the brands have done a double digit growth and I still feel that once the Pancharishta and

Kesh King starts giving result, I think all brands would be in the range of 8% to 12% or 13% growth for the year.

Prakash Kapadia: And with the corrective steps, which is... And on the lighter side on the election year, I am sure everyone is getting a lot of stress, so pain management will find its use and Navratna will also be useful.

Prakash Kapadia: Yes and you mentioned about I think Pancharishta and Kesh King about the corrective steps we have taken, so second half is promising for both of those, right?

Mohan Goenka: Absolutely. You have also as I said last 45 days, both the brands have done a double digit growth. Maybe you have not seen that growth in the quarter, but the downfall has that we are seeing an upside in both the brands. Both Pancharishta and in Kesh King. So in this quarter which had decline last year that will be a positive trend.

Prakash Kapadia: Thank you Sir. All the best. I will come back if I have more questions.

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

Kunal Vora: Thanks for the opportunity. Sir first one on the outlook for the year. Like you were earlier expecting that you could close the year with double digit volume growth maybe something, maybe something 4% price increase, international you are expecting mid-teens kind of a growth, can you share the revised outlook, if at all? And if something has changed, what is driving the change?

Mohan Goenka: So outlook still remains the same that we would definitely end the year with the double digit revenue growth. In the first half as I said it has been 9%, and in the second half, you are seeing a better number, so we would definitely see a double digit growth.

Kunal Vora: Okay. But not volume growth. I thought earlier you have made single digit volume growth.

Mohan Goenka: Volume growth seems to be little challenged for the year, at least the double-digit volume growth. We are still trying very hard. If the winter goes very well, then I think also double digit volume growth is also possible. But we have to see how the next two months goes.

Kunal Vora: Sure. Okay. Second one on direct distribution, which I think you have gone from 8 lakhs to 9 lakhs in the last two quarters. Will this continue? And when do we start seeing benefits of this?

Mohan Goenka: I think in the last call also, I said that by and large we are done with this. We have to now consolidate and see to get best results out of this 9.1 lakh outlets.

Kunal Vora: Okay. But we have – so when do we start seeing some benefits, I think when does this start contributing meaningfully? I mean like it is meaningful..

Mohan Goenka: Benefits are coming. If you see our numbers also. The benefits are coming from these outlets also for our rural expansion and from these outlets, the wholesale contribution is coming down, retail is going up, modern trade is going up, so by and large, we are seeing numbers coming from these new outlets also.

Kunal Vora: I understood.

Mohan Goenka: Kesh King has started showing results. Pancharishta has started showing results, Male grooming has started showing results. In everything if you will see.

Kunal Vora: Okay. My last question, inventory seems to have increased compared to March, is it because of seasonality ahead of festive season or...?

Mohan Goenka: Yes, it is absolute to do with seasonality because of the winter, we have loaded some stocks.

Kunal Vora: I understood. Okay. That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Krishnan Sambamoorthy from Motilal Oswal Securities. Please go ahead.

K. Sambamoorthy: My question is also regarding the inventory. Sir has higher menthol stock also played a role in this?

Rajesh Sharma: No Krishnan. It is largely on account of the higher finished goods stock ahead of the winter season.

K. Sambamoorthy: It is a very very sharp increases, up by 40% - nearly 50% Y-o-Y and 40% over March?

- Rajesh Sharma:** No, also last year if you look at we got a good winter season loading in the month of September, which we have not seen much of that happening in this particular month of September, and hence little, little higher inventory compared to last year.
- K. Sambamoorthy:** Yes and you would also have indicated that sales are flat, domestic sales are flat, that must have been – because you have taken price increase for the summer season and some for the winter season as well, that would have been meant that volumes for the quarter would have declined 4% to 5%, is my reading correct?
- Rajesh Sharma:** Yes, roughly 4%.
- K. Sambamoorthy:** Okay. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Anubhav Sahu from MC research. Please go ahead.
- Anubhav Sahu:** Hi Sir. My question is with regard to distribution side view once again. Last quarter, you mentioned that some improvement you have seen on the wholesale channel. So how is the traction now? And how much now the wholesale is contributing to the overall sales?
- Rajesh Sharma:** So wholesale channel seems to have been stabilized. And currently, it is contributing to roughly 38% to 40% of our revenues.
- Anubhav Sahu:** Okay and Sir, any commentary on the rural versus urban. You are seeing the same traction for the rural side is higher than urban demand?
- Rajesh Sharma:** So rural is slightly higher.
- Anubhav Sahu:** And I mean on Q-o-Q basis any commentary on the momentum or any pocket you want to highlight, regional pockets where it has seen little amount of better traction?
- Rajesh Sharma:** I think North India rural has done a little better, if I have to specify some regional pockets.
- Anubhav Sahu:** Okay and Sir on the Pancharishta, any qualitative comments you want to make, because in Q1 also, you did mention there is a bit improvement in the growth, how do you see now, I mean anything you want to highlight about what gives you conviction that it should rebound actually?

Rajesh Sharma: No, I think Pancharishta, we have relaunched now with a new communication, which is aptly supported by Mr. Bachchan and with a new packaging also into the markets. So this we are hopeful that this would bring some more excitement to the category? And hence we should see some growth happen from now onwards.

Anubhav Sahu: Okay Sir and Sir last time also you have mentioned about this medico product Zandu Diabrishta. How is the traction on that side?

Rajesh Sharma: So that is also shaping well, though on a very, very small scale, those are kind of new categories, we are entering into and we have to build it gradually, So the kind of response we have got, we are satisfied with that. And we would build on the kind of response we are getting.

Anubhav Sahu: Okay then. That is great. That is very helpful. Thank you.

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

Tejas Shah: Thanks for the opportunity Sir. Sir the guidance of double digit value growth that you have given today, is it factoring strong winter, strong summer? Or is it a conservative guidance factoring for seasonal volatilities?

Rajesh Sharma: I think we are factoring a decent season, so as Mohan Ji earlier said if we get very good winter, then obviously growth can – we can get additional growth, but we get normal season, then I think double-digit kind of growth is possible.

Tejas Shah: Is it a lower end of your guidance?

Rajesh Sharma: No. I think that is kind of a realistic kind of a guidance. We should be able to deliver that kind of a number.

Tejas Shah: Sure. Sir, second, your CSD channel momentum is quite contrary to many other players in the category and many other categories also, many other industries also. So just wanted to know what are you picking up on CSD channel as a growth momentum trend?

Rajesh Sharma: So for the next six months, I think we would be by and large flat – because they have also changed their ordering pattern, and we are unable to supply some of the stocks, so we have some – what you say – we have cancelled some orders. So because of this we have seen

some muted growth in the CSD channels. But by and large the channel is doing well. So hopefully I think we should see some growth coming in the next two quarters.

Tejas Shah: Okay and Sir any comment on Pancharishta because we relaunched it and we can see it in the renewed packaging also. So any feedback you want to share?

Rajesh Sharma: As I mentioned that we are seeing good momentum since the new launch. And the next two quarters, we will see good growth in Pancharishta as well as Kesh King.

Tejas Shah: And Sir lastly a couple of book-keeping questions. Other income guidance you can help us with, it has been volatile for first half and tax rate?

Rajesh Shar,a: So tax rate would be roughly 20% to 21% for us going ahead, other income has been impacted this quarter because of some lower treasury incomes and some - last year we had some Forex gains also, which were not there.

Tejas Shah: Okay. So should we build in first half run rate as a full year run rate?

Rajesh Sharma: I think other income, we should get slightly higher than first half for the full year. And tax rate should be 21% kind of...

Tejas Shah: Sure. That is all from my side Sir. Thanks.

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

Kaustubh Pawaskar: Good evening Sir. Thanks for giving me the opportunity. So my question is on the international business because first half the growth is 5% and in your last conference call, you did mention that you are looking – you will be looking good growth in the international business, so your comment on it because already you have put in a strategy behind your international business and some color on how those strategies are playing for you?

Mohan Goenka: So if you remember I think in the Q1 itself we had said that H1 would be difficult for us because we were correcting some of the issues, distributor issues in some geographies, inventory corrections were happening, but by now all these things have been done and if you look at our secondary sales momentum also it has picked up even in the last quarter, and looking at that momentum we are very confident that the second half of international

would be quite stronger than the first half and for the full year as a whole also we should easily cross double digit kind of a growth for international.

Kaustubh Pawaskar: Sir talking about specifically about the demand environment, how is the demand environment in this market specifically in which you are, especially MENAP and CIS, where the growth was little bit kind of a concern?

Mohan Goenka: Right, so CIS was primarily impacted because of the local currency devaluations. As a result of which, we had to take price hikes in those local markets and it took time to stabilize the price hike, so Q1, Q2 was impacted because of that also. But by now what we are finding is that the price has got established, so going ahead we are seeing good traction and that should help deliver good growth from Q3, Q4 for us, from CIS markets. And also in MENA region, particularly Saudi Arabia, we had suffered a lot because of the demand issues or a lot of those geopolitical problems in those markets, lot of Indian expats were – the Asian expats were getting deported, with falling crude prices earlier last year. But now all these things are getting back to traction. And our distributor issues also which cropped up because of all those problems, we have been able to resolve all those issues. And now demand looks good in even those markets.

Kaustubh Pawaskar: Right Sir and Sir on the margin front, do we expect margins to remain flat for 2019 or there will be some kind of dip considering the fact that H1 was quite – it was not that great, even the input prices are moving up. So should we expect our operating level margins see a dip in FY2019?

Mohan Goenka: So I think for the H1, we have been able to manage the margins despite rise in input prices, but we were expecting input prices particularly menthol to come down by now. So unfortunately that has not happened, so now the input pressure appears to be there, and second half we would see some gross margin pressure and as a result we may see a percent or so getting impacted on one of our margins because of input prices.

Kaustubh Pawaskar: Right Sir and Sir have you taken price increase because in Q1 there was weighted average price increase of 3% to 4%, so beyond that have you taken any price increase in the portfolio?

Mohan Goenka: No, overall for this year, there would be roughly 4% kind of a price increase, 4% and 4.5%.

Kaustubh Pawaskar: 4 and 4.5%. Okay. Thank you.

Moderator: Thank you. The next question is from the line of Abhijeet Kundu from Antique Stock Broking. Please go ahead.

Abhijeet Kundu: Hi Sir. Good evening. Thanks for the opportunity. I have two questions. One was on your advertisement expenditure because in the first half advertisement expenditure on growth has been quite benign. So in the next two quarters – and you were able to manage your cost and margins, so in the next two quarters or for the full year, what should be the expectation in terms of ad spends, that is question one?

Mohan Goenka: So yes Abhijeet, our advertisement expense last was roughly 18.5%. And this year also, we would spend something around 18%, 19% kind of levels. Giving a very specific number becomes difficult for advertisement because 1% here and there always varies depending on the need. So in H1 we have not spent – I think we have spent little lower than what we spent last year as a percentage of revenues. So I think we should be able to manage within the last year kind of spend, so 50 basis points here and there can always happen.

Abhijeet Kundu: Okay and Sir second was on Kesh King, during the quarter, you have seen an improvement in market share, about 30 bps, it has come – grew 28% and still the growth has been 2% yes, the first half growth has been 6%, so which is encouraging. You are expecting a double digit growth in Kesh King. What is the kind of growth that is where in this category – I mean which you are having volume share of about 28%. Is the value share higher or lower, how would be that and what is the kind of growth in this category as a whole and will you be driving the overall category growth, I mean in case of Kesh King?

Mohan Goenka: No, I think till now, we were also - we were degrowing and our share was getting – was taken over by competition. So we want to arrest that. And we would try and take at least some of the shares from competition, take that back some of the share of the competition going ahead with our relaunch.

Abhijeet Kundu: Okay. So my question was that even with 30 bps improvement in your market share, you have still grown just 2%, so will there be a significant – so my point was that the category as a whole is growing at a 7% to 8% kind of range?

Mohan Goenka: No, it is going at a high single digit to double digit kind of a growth range, but the point is with our relaunch, we expect to gain whatever ground we have lost. And there are other plays also into the category. So everyone would drive the growth. And apart from the category, growth prospects, we would also look at taking share from the whatever shares you have lost earlier.

- Abhijeet Kundu:** Okay. Thanks. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Prashant Kothari from Pictet Asset Management. Please go ahead.
- Prashant Kothari:** First question is on Navratna and Fair and Handsome. You are looking to do some changes out there to kind of refresh these brands. Have there been any changes or is anything coming in the short-term?
- Rajesh Sharma:** In Fair and Handsome, we had changed the packaging and relaunched the brand. We have done some new communications with some young celebrities. So that has already been done now.
- Prashant Kothari:** Okay and on Navratna?
- Rajesh Sharma:** Navratna, there were no any specific changes in this year. We have done something as last year with a new campaign with Amitabh Bachchan. And also packaging was done last year, not this year in particular.
- Prashant Kothari:** Okay.
- Mohan Goenka:** So we had done changes in Kesh King, Pancharishta, Fair and Handsome this year. The packaging had been changed in these three brands here.
- Prashant Kothari:** Sure and has there been any formulation changes in these two, three products where the packaging has been changed?
- Mohan Goenka:** No.
- Prashant Kothari:** Okay. The other question was on margins you were suggesting that because of menthol prices, the gross margins could be kind of lower in the second and now from the ad expenses because in the first half you under spent, probably you will be spending more. So are you suggesting that the margins on the second half could be much worse than what you have seen in the first half?
- Rajesh Sharma:** We should be able to manage the margins, but we have to see what pressure we get from the raw materials....

- Mohan Goenka:** What we have seen that there is a pressure of about 2-2.5% in terms of gross margin in the second half. And as Rajesh said that we are seeing that how can we maintain our margins, margins can best fall by about a percent or percent and a half. Okay, gross margin depression is about 2-2.5%, we will try to make it from somewhere, which is advertising and some other expenses. Okay. So I am not seeing any pressure in terms of the – as far as margins are concerned in the second half even if there is 2-2.5% increase in cost.
- Abhijeet Kundu:** But you also said that on the advertising, you have anyway under spent in first half so that will likely go up in the second half...
- Mohan Goenka:** So we will manage it, we will see that how do we manage it. So if absolutely there is a need, then we might have to increase but I do not think that at this point of time, there is a need for increasing. Because winters are also delayed, so we can manage it with some less advertising.
- Abhijeet Kundu:** Okay and the third question is on this supply chain side, I think you engaged with some consultants to improve upon that. . Has there been any progress on that front, any initiatives taken that you could share?
- Mohan Goenka:** Yes, we have engaged consultants, the project is still ongoing. So it will take some more time for the benefits to accrue. But the project will be over in the next two to three months and then it will take further two to three months to stabilize. So may be the maximum benefit would come from next year only.
- Abhijeet Kundu:** Okay. Fine. All right. Thank you.
- Moderator:** Thank you. The next question is from the line of Dipan Mehta from Elixir Equity. Please go ahead.
- Dipan Mehta:** So you have noticed last four to five years, company's profitability has generally been flat, I mean the profitability in terms of earnings per share per se. Of course, there has been acquisition and other things and various reasons for it, but do you think that over the next three to four years now we should see at least an accelerated compounding type of growth rate as far as the bottom line is concerned?
- Mohan Goenka:** So I think you are right. But last five years if you look at the period, I think earlier it was impacted because of the acquisition. If you look at the cash profits, then obviously, we have grown during that period also. So last couple of years, it was impacted because of all these

unforeseen factors, which is right. But going ahead from here I think we should be able to grow our profits in line with our top line.

Dipan Mehta: Okay Sir. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Abhishek Roy from Stewart & Mackertich. Please go ahead.

Abhishek Roy: Hi. Good afternoon Sir. Sir my question is regarding your cement business. Sir I just need to understand what will be the benefit that shareholders of Emami Limited would be getting, once this cement business is listed?

Rajesh Sharma: No, there is no benefit Emami Shareholders will get. It is a separate company all together.

Abhishek Roy: Okay but you mentioned that the promoters of Emami Limited, they own the cement business right?

Rajesh Sharma: Yes. The promoters are the same. They have invested from individual capacity, absolutely.

Abhishek Roy: Okay and Sir who owns their Emami brand, can you just tell me that?

Mohan Goenka: It is owned by Emami Limited only.

Abhishek Roy: Emami Limited only. Okay. Thank you Sir.

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

Prakash Kapadia: Rajesh I missed the part on other income, it has fallen from Rs. 11.8 Crores to Rs. 5 Crores, any one-offs in this and second half, what growth we expect in other income?

Rajesh Sharma: So right other income has gone down because as I said last year we had some good amount of income from the treasury side and also Forex income was there, which is not there this year.

Prakash Kapadia: Okay. I think last year we had some Rs. 6 Crores Forex income from what I recollect.

Rajesh Sharma: Yes, forex income and some treasury income from mutual funds.

- Prakash Kapadia:** Okay. So would this runrate continue for the next two quarters, or they should improve from here on?
- Rajesh Sharma:** So I think as I said earlier, I think second half other income should be certainly better than the first half.
- Prakash Kapadia:** I understood. Thank you.
- Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to management for closing comments.
- Rajesh Sharma:** Thank you for joining us for today's conference call on the Q2 results of Emami. Thank you IIFL for arranging this call. Thank you.
- Moderator:** Thank you. On behalf of IIFL Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.