



Date: 9th November 2023

The Manager
The National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza, Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai - 400 051
Symbol: Symbol: EMAMILTD

The Manager
BSE Limited
Corporate Relationship Department
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001
Scrip Code: 531162

Dear Sir(s),

Sub: Transcript of Investor Conference Call pertaining to the Unaudited Financial results of the Company for the second quarter and half year ended September 30, 2023.

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Investors' conference call organized on November 06, 2023, post declaration of Financial Results for the Second quarter and half year ended September 30, 2023.

The said transcript is also available on the website of the Company at www.emamiltd.in.

You are requested to kindly take the above on records.

Thanking You,

For Emami Limited,

Sandeep Kumar Sultania
Company Secretary & VP - Sales Commercial



“Emami Limited
Q2 FY2024 Conference Call”

November 06, 2023



ANALYST: MR. PERCY PANTHAKI – IIFL SECURITIES LIMITED

**MANAGEMENT: MR. MOHAN GOENKA – WHOLE TIME DIRECTOR &
VICE CHAIRMAN – EMAMI LIMITED
MR. VIVEK DHIR – CHIEF EXECUTIVE OFFICER,
INTERNATIONAL BUSINESS – EMAMI LIMITED
MR. GULRAJ BHATIA – PRESIDENT HEALTHCARE–
EMAMI LIMITED
MR. MANISH GUPTA– PRESIDENT SALES – EMAMI
LIMITED
MR. RAJESH SHARMA – PRESIDENT FINANCE &
INVESTOR RELATIONS**



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November 06, 2023

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY2024 Earnings Conference Call of Emami Limited 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 Securities Limited. Thank you and over to you!

Percy Panthaki: Hi good evening everyone. Thanks for joining us on the Emami results con call. I have with me Mr. Mohan Goenka – Whole Time Director and Vice Chairman; Mr. Vivek Dhir – CEO, International Business; Mr. Gulraj Bhatia, President, Healthcare, Mr. Manish Gupta – President Sales and Mr. Rajesh Sharma – President Finance and IR. I will hand over the call Mr. Mohan Goenka who will take us through the results presentation and then we will open up for Q&A. Over to you Sir!

Mohan Goenka: Thank you Percy. Very good evening ladies and gentlemen. Thank you for joining us today. I am pleased to share some good set of numbers amidst the challenging economic backdrop. Despite the subdued consumption demand especially in rural markets, Emami has showcased resilience and profit led growth in the second quarter and first half ending 30th September 2023. In Q2, our consolidated revenues soared to 865 Crores demonstrating 6% growth. Our domestic business exhibited fairly impressive resilience with a 4% growth in net sales and a nearly 2% increase in volumes. Notably urban centric channels like modern trade and e-commerce witnessed robust performance underscoring our adaptability to changing market dynamics. On a brand level, Navratna and Dermi Cool range performed well and recorded growth of 12% in Q2. While healthcare range grew by 4% and pain management by 1%. Boroplus male grooming and Kesh King range declined in single digits on account of lower consumer demand from the price sensitive sections of mass consumers. Additionally our strategic investments in subsidiaries Helios and Brillare Sciences outperformed expectations witnessing a stellar 63% growth. Internationally, we continued our upward trajectory growing by an impressive 16% in constant currency and 12% in INR terms. Despite challenges in certain markets due to currency fluctuations and import restrictions, our international business remained buoyant driven by key regions such as Menap and SAARC. With lower input costs and judicious price hikes, we achieved a significant expansion of gross margins by 350 basis points reaching 70.1%. Our EBITDA registered robust growth climbing by 20% to 234 Crores with margin expanding to 27%, a rise of 300 basis points. For the first half of the financial year, our revenues grew by around 7% accompanied by an expansion of gross margin by 290 basis points. EBITDA experienced a robust 15% growth with margins expanding to 25.1% an increase of 180 basis points. Notably, our profits after tax for the first half saw an impressive surge of 23% at 316 Crores. Further, the company made its foray into the juice category with AloFrut through strategic investment in Axiom Ayurveda Private Limited by acquiring 26% equity stake. I am happy to announce that despite absorbing around 230 Crores related to buyback of shares, the company maintains a robust cash balance. Consequently, our board has declared an interim dividend of 400% amounting to Rs.4 per share for FY2024. I am also pleased to inform you that following the disinvestment of promoter’s majority stake in AMRI Hospitals, the promoter’s pledge levels are now reduced to around 15% of the promoters holding in line with our commitment. What is even more promising is our outlook for the future. Despite the headwinds, we are optimistic about the coming quarters. Anticipated improvements in agricultural yields, the onset of festive season, rising rural wages and increased government spending on infrastructure projects are



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positive indicators that bolsters our confidence in the recovery of rural markets. Our unwavering focus remains on driving our long-term strategic goals and enhancing our capabilities. We are determined to continue investing in our brands ensuring superior value for our consumers. With these efforts and the resilience that is a hallmark of Emami's journey, we are confident in our ability to deliver consistent, responsible and profitable growth in the medium to long term. With this overview, I invite Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. We have the first question from the line of Abneesh Roy from Nuvama Institutional Equities. Please go ahead.

Abneesh Roy: Thanks and congrats on the margins. My first question is on the D2C Zanducare business. So essentially I see a lot of new products being launched. So my question is out of the Zandu portfolio what percentage of the products which are sold on Zandu D2C website are also available on third parties, say Amazon, Flipkart, BigBasket, etc. Second is what is the thought process behind launching a very non FMCG kind of product or just tumbler etc. We do not see FMCG company normally do this, but I understand the Ayurvedic thesis behind this but why does a FMCG company need to do this?

Gulraj Bhatia: So thank you for that question. Basically, the whole purpose of launching our D2C portfolio Zanducare was to look at leveraging the opportunities which are coming up rapidly in the Ayurveda healthcare space and we launched a number of new products basically which are targeted towards improving the healthcare need gaps which consumers have and we are not only selling them on the D2C platform, but we are also selling them on other e-com market places and also in the modern trade channel. In that context, we do not just want to limit ourselves to only products or medications which are the traditional healthcare segments. We want to cover the whole gamut of products which probably come in the range of Ayurveda products and that context, the benefits of using copper vessels for storage of water for water bottles or even glasses becomes an important component. And that is why we are looking at getting into this segment which is a fairly large segment which traditional ayurvedic companies are not catering to as of now and we have seen a fairly good response on the launch of these products.

Abneesh Roy: On the overall company for the India business, if you could tell e-commerce and modern trade, what is the growth and do you expect acceleration given festival demand will be in Q3, would you expect that?

Mohan Goenka: So the growth has been in the range of about 17 to 18% in modern trade and for e-commerce it is about 50% growth in this quarter.

Abneesh Roy: You expect acceleration.

Mohan Goenka: So we expect to have similar kinds of growth coming from both the channels, both from modern trade and e-com. In fact, our e-com has now reached to almost 13% of our total business and modern trade is at 11%. So put together, we have almost reached to 24% both MT and e-com.

Abneesh Roy: One last follow up I remember at the end of FY2023 now you had said e-commerce plus modern day is 20% of business. So this year you want to do more focus on profitability rather than sales growth. I see sales growth being strong could you address on profitability, is it meeting your initial...



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Mohan Goenka: Yes Abneesh so that is part of our overall margin expansion plan because now both the channels put together is around 25% of our total business and margins are slightly lower compared to our GT business. Definitely we have improved our margins in both the channels. There is further scope of improving margins in e-com in modern trade. It will come gradual but yes, there are levers of margin expansions in these two channels.

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

Moderator: Thank you. We have our next question from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.

Prakash Kapadia: Could you talk about rural markets. We were targeting 60,000 villages. So what is happening our bridge packs increasing, what geographies are we concentrating on in the opening remarks you mentioned about you being positive about rural recovery coming back, that is the first question. Secondly, chemist channel was very important during COVID time so as Zandu healthcare sales are now bouncing back on the low basis and on normalize base how much is that important for Zandu healthcare doing well from here on and Kesh King what seems to be hurting us because growth remains muted there despite we trying organic shampoo, new variants. What is happening in some of these things? So are not small packs working in Kesh King. What is happening? Those are my three questions.

Mohan Goenka: So Prakash rural as I said is still muted. I would not say that it has bounced back but of course the election season is going to come in now very soon and government we are all hearing good amount of spends coming in from infrastructure rural side. So we all are hopeful that the market should bounce back. At the same time with our project Khoj reaching out to almost 60,000 villages. Those projects are almost complete and due to our investments in these channels, we have somehow managed to sail through and we have not declined with the kind of weakness that has been in the market. Same lies in chemist also. We have expanded our chemist reach to 1,25,000 outlets now through the new initiative. There also if you see very specific expansion in chemist channels, our growth in chemist is almost 20% so these are initiatives. Unfortunately, as I said, the markets are slightly weak. Once the consumer demand at rural end, any of these channels bounce back, we would significantly benefit. As I said, we are well prepared. We are well geared, but very difficult to say when the market would bounce back. As far as Kesh King is concerned, it has a cycle. So I am not very worried about it. Yes, this quarter we have declined, but I am again confident that in the third quarter we will see a growth because it has to do with consumer promotion at times. When there is a consumer promotion, the sales really goes up and when we withdraw the sales comes down a bit. So, hopefully we will end up the year with the growth positive note.

Prakash Kapadia: I will join back if I have more questions. Thank you.

Moderator: Thank you. We have our next question from the line of Shirish Pardeshi from Centrum Capital. Please go ahead.

Shirish Pardeshi: Hi, good evening. Mohan ji, Rajesh ji and the team. What I understand is you in the beginning said that you are happy with the growth which has happened. So if you can break because to our understanding June, July, and August was bad. So is the recovery back ended or it is front ended because the season is panning out and we have been able to get some benefit because of the loading of the products which is more relevant to the winter care.



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Mohan Goenka: Shirish honestly, we have not loaded so much stock, what actually we had done last year. So that is not a big concern. I would say yes, the markets are still weak and most of the growth in this quarter has come from the e-com and some of our strategic investments that we had done. So we are still waiting for winter to set in honestly. Post Diwali we will get a fair picture how the winter products are panning out to be. Whatever loading had to be done is done in the month of October and September, but we will have to still wait for the secondaries to happen.

Shirish Pardeshi: The reason why I am asking because if you have not done the loading of winter products say end of September, but the initial report says that the winter is started setting in the north. So assume that last year we had a bad winter or the winter was not so severe. So given that benign base are you confident or is there signs on ground seeing that the rural and urban markets are faring well in last 30-40 days?

Mohan Goenka: You can say so Shirish that markets have definitely slightly bounced back. It is not the same weakness what was in the month of July, August. So the festive season has gone down well last year if you would see the pooja festivals or the Diwali was all in the month of October. This year the Diwali is mid November, so markets typically bounce back post the Diwali festival. I am talking of the more GT. The secondary will happen particularly for our brands post Diwali. Last year Diwali was in October. We will have to wait for another 10-15 days to see how the secondaries actually pick up, yes, but you are right that now the winter has set in some of the markets in the north.

Shirish Pardeshi: Okay my second question is on the strategic investment what we have made in the Man company and Brillare so will you be able to quantify what is the revenue we have got this year and last year same quarter. So 63% growth is very humongous and more qualitatively what this growth is driven and what are the things is there product portfolios expanding, is the reach is expanding or is the genuine e-commerce trend is moving and picking up this brands?

Mohan Goenka: So there are multiple reasons Shirish. Of course the focus has increased tremendously on both the companies. There is premiumization which is happening. We have also launched a lot of new products in Helios and Brillare and at the same time we have gone beyond e-com. A lot is now coming to modern trade and also to some of the large GT stores. So that is also helping in expanding the Man company portfolio and as far as the revenues are concerned we will not be able to give very specific numbers, but the base is not very low now.

Shirish Pardeshi: I mean in terms of revenue contribution or what is the absolute number put together both of the brands not saying individual now we are consolidating so from the margin perspective what is it that are broken even at the EBITDA level or there is some loss which are still booking in this year?

Mohan Goenka: So TMCs now breakeven but Brillare still, but it is a very miniscule kind of margin erosion honestly. As far as the percentage contribution is concerned both the brands put together should be in the range of about around 5%.

Shirish Pardeshi: Total five or 5% each.

Mohan Goenka: Total around 5%.

Shirish Pardeshi: Okay my last question is on the margin front though we have seen an impressive recovery and you said in Q4 that there is no problem of getting the margin back. From



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here onwards what are the margin levers which we have because directionally most of the raw material is, looking downward except LLP at this time which is little firm so any reading, any thought through how we should look at the second-half margin?

Mohan Goenka: Second half margins, again Shirish I am saying that is not a concern honestly because raw material prices are still benign. As I said both these channels, modern trade and e-com, which now contributes to almost 24-25% there the margins are relatively lower compared to the GT channels and we see significant improvement in margins in some of these channels, so margin is not a concern. We are only awaiting a good set of winter and some rural recovery. That is it.

Shirish Pardeshi: Okay Mohan ji. Thank you and all the best.

Moderator: Thank you. We will take the next question from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki: Hi Sir. On the portfolio of the male grooming, the Fair and Handsome, what really we need to do to make this brand sort of back on the growth path because I understand the overall demand scenario is weak and as that improves of course that is one part of the equation. But apart from that is there anything else to be done?

Mohan Goenka: Yes, Percy, I think as marketers we are definitely looking at what major changes brand needs to go through because you are right that brand has come to almost at the kind of stagnancy and we definitely have plans as far as marketing is concerned, so it needs a complete re-launch and we are working towards it.

Percy Panthaki: Sir on the other part of the portfolio, which is sort of the Boroplus portfolio. It was originally in a cream, then you launched lotions etc., can you give some idea on what is the contribution of lotions because lotions is more of a mainstream format which is catching on. So are we seeing that over the years the salience of lotion has like definitely increased and that is sort of becoming more of a mainstream rather than just the antiseptic cream now?

Mohan Goenka: Definitely Percy I think Boroplus brand is no more just an antiseptic cream. So we have significant contributions coming in from lotion, Boroplus soap, Boroplus Soft, Boroplus Aloe Vera Gel. So these are the four brands under Boroplus and the contribution of these brands should be around more than 20-22% in the total Boroplus scheme of things.

Percy Panthaki: Right. Yes that is all from me. We can go back to the question queue.

Moderator: Thank you. We have a question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: Hi Mohan ji thanks for the opportunity again. Two questions in the international business though this quarter we have seen a very strong growth but what we also learn from you that there is a currency devaluation which has happened in certain part. CIS is one of the important piece to our strategy and that has seen some weakness. I mean I understand there is Russia geopolitical disturbance but I think if I look back last four or five years, we have taken a lot of actions. So when do we see a double-digit growth and the part two to this question is that do you think the second half also we will be seeing a very strong double-digit growth in the international business?



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Vivek Dhir: Yes Mr. Shirish CIS Russia this is one bad quarter which happened for us due to some uncontrollable issues but when you look at the CAGR over the quarters and quarters, it is performing very well for us that market and we expect it to bounce back in Q3 and Q4 again to a decent growth rates due to the efforts which we had made in the marketplace over the years. So that is not a concern. The concern which happened was more internal in nature and we could not handle that particular thing and that is behind us now on that particular issue. Most markets are showing growth and even the MPDs which we have done in Russia in CIS they have got a very decent acceptance with the trade channels, although most of our revenues come out of pharmaceutical channel over there where the purchase packs is in the units of 3 units or 2 units at time by a pharmacy. Even then our acceptance for MPDs is becoming very decent over there. So we see a very bright future in this market going forward as well.

Shirish Pardeshi: Okay my second question is on Zandu I think Gulraj ji I was more keen to look at double digit growth in healthcare given the base is benign. The growth in Q2 is just 4% though we have seen a very strong momentum on the e-commerce but could you talk something on the GT channel, how it is faring well or what is it that the product interventions which are doing. I mean the base is now going to be normalized in second half also so can we expect a double-digit growth?

Gulraj Bhatia: Thanks Mr. Pardeshi for your question. So actually on the back of Zandu better Q1, we did see a decline in terms of the growth numbers in Q2 specifically in the medico business. If you see overall also it has not been just limited to Zandu. If you see the overall market for various reasons in Q2 for the entire OTC and medico business is a bit of a challenge more stagnant in Q2. So in one of our major other players in the markets declared the results a day or two back. So they have also had a fairly challenging Q2 and the current couple of months have been much stronger for the OTC business. So we do see Q3 to be much better. May not be strong double-digit growth, but definitely high single digit growth is what we are seeing and we do see the market being on an upward trend and the general business will be on upper trend in the coming quarters.

Shirish Pardeshi: Okay my last question on the sales front, I think Mohan ji you alluded saying that project Khoj, the project is now done. There are a lot of benefits. I am sure you would have got it because of the distribution in the rural but therefore my question to Mr. Gupta is that what is the next strategy which we are trying to look at. Is the distribution efforts has already done and now we are looking for throughput or there is still further room for growth in terms of sales efforts to get into maybe tier three, tier four towns and maybe some colour, the alternate channels are firing well but the core problem is still lying in the GT. So what are the efforts, initiatives which we are expecting for next two to three quarters?

Manish Gupta: Thanks for your question. So I think project Khoj has prepared the foundation and laid the very solid foundation for reach to these markets. As Mohan ji mentioned earlier in the call, as the markets recover back, I think we are sitting and waiting for these demands to perk up so that we can service very quickly. Now to your query about what other initiatives are happening, as he mentioned earlier on, whether it is the middle Indian markets or whether it is the pharmacy channel opportunities we have done a lot of good work over the last few years, so it is all there. I mean the basic foundations are there and as the demand perks up our GTM is there to fire it up in terms of the fulfillment story.



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- Shirish Pardeshi:** Okay but is there any special initiatives which we are planning to take once the market recovery happens and this question is more pertaining to rural because I do understand the weakness is there, the food inflation has now started subsiding but in terms of structural changes, in terms of distribution or what we can do the justice to lift the sales.
- Manish Gupta:** See a lot has happened over the last two or three years. I think we first need to chew what we have bitten. We first need to put the performance through these channels, make the foundation stronger and continue to do that. The current reach that we have is quite a lot and if you have to maintain the current cost to serve and maintain the profitability out of those channels, I think the prudent thing is to stay and first get the sales out of it. Then we will take the next step in terms of what next bite has to be taken.
- Shirish Pardeshi:** Okay alright. Thank you and all the best.
- Moderator:** Thank you. We have our next question from the line of Nitin from Emkay. Please go ahead.
- Nitin:** Hi thanks a lot for giving me the opportunity. My first question is with respect to the guidance we have provided 8 to 10% top line in international growth, double digit growth in healthcare and male grooming and 200 to 250 bps margin expansion. So like how post Q2 numbers and how do you see the guidance holding on?
- Mohan Goenka:** So we do not give guidance Nitin let us say, but surely you have seen that our margins have expanded by 200 basis points and I am very confident that we will end up the year by at least 200 basis points expansion in margin. That is what it looks like and top line number also you have seen for the first half, we have done almost 7% and we will hope to end the year also in the similar range. Of course a lot will depend on the winter season and rural recovery but we are confident that we will be able to do high single digit growth so markets are very, very stable I would say. I am more confident on the margin front. We can recover very significantly if the winter sets in well and there is good amount of rural recovery but in this difficult times I would say 7% is also a good top line number.
- Nitin:** Yes certainly and in terms of like with the competitive intensity does any of your categories seen any sort of surge in competition?
- Mohan Goenka:** Not so much Nitin only in the cool oil we had seen Dabur launching a cool oil so that is the only new competition that we have seen. So let us see.
- Nitin:** Thank you and lastly in terms of this festive period so any part of the portfolio which is more skewed towards festival like would you like to highlight?
- Mohan Goenka:** Towards festival.
- Nitin:** Yes.
- Mohan Goenka:** No we do not have any specific skew. We are more winter skewed.
- Nitin:** Thank you.



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Moderator: Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to management for closing comments. Over to you, Sir.

Rajesh Sharma: We thank all the participants for joining us at Q2 con call. Thank you IIFL for arranging it. Thank you Percy. Have a good day.

Moderator: Thank you, Sir. Thank you on behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us and you may now disconnect your line.

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