emami

emami limited

Date – 12th November, 2024

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: EMAMILTD

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

Sub: Transcript of Investor Conference Call pertaining to the Unaudited Financial results of the Company for the Second Quarter and Half Year ended 30th September, 2024.

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Investors' conference call held on 8th November, 2024, post declaration of Unaudited Financial Results (Standalone & Consolidated) for the Second Quarter and Half Year ended September 30, 2024.

You are requested to kindly take the above on record.

Thanking You,

Yours Sincerely,

For Emami Limited,

Ashok Purohit
Digitally signed by Ashok Purohit
Date: 2024.11.12 10:55:27 +05'30'

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Dy. Company Secretary
Membership No: F7490
(Encl: a/a)

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"Emami Limited

Q2 FY '25 Earnings Conference Call"

November 08, 2024

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

MODERATOR: **MR. PERCY PANTHAKI – IIFL SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Emami Limited Q2 FY '25 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, you may signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Percy Panthaki from IIFL Securities. Thank you, and over to you, sir.

Percy Panthaki: Good evening, everyone. We are pleased to host the quarterly con-call for Emami Limited. On the call with me, I have Mr. Mohan Goenka, Whole Time Director and Vice Chairman; Mr. Vivek Dhir, CEO International Business; Mr. Gul Raj Bhatia, President Healthcare; Mr. Manish Gupta, President Sales; and Mr. Rajesh Sharma, President Finance and IR.

I'd now like to hand over the call to the management for their initial comments, and then we will open up for Q&A. Thank you.

Mohan Goenka: Thank you, Percy. Good afternoon, ladies and gentlemen. Thank you for joining us today for our earnings call for the second quarter and half year ended 30th September 2024. At the macro level, the quarter presented some challenges with demand trends similar to the first quarter. High food inflation has continued to impact mass consumers. On the international front, political unrest in key markets like Bangladesh posed some temporary hurdles.

Despite these headwinds, I am pleased to report that we delivered profit led growth this quarter, underscoring our resilience and strategic agility. Our consolidated revenues at INR891 crores in quarter 2 grew by 3%, while the first half of FY '25 saw a 6% growth, with revenues at INR1,797 crores. Our domestic business also grew by 3% in Q2, led by double-digit gains in some of our key brands.

Navratna and Dermicool grew by 10%, while the healthcare range grew by 11%, pain management range grew by 5%, and BoroPlus delivered a growth of 2%. Kesh King and Male Grooming declined by 9% and 13%, respectively.

As you are aware, we acquired the balance stake in our strategic subsidiary, Helios Lifestyles from the erstwhile promoters. Due to the transition and change of management at Helios, we experienced a one-off decline in revenues in the same in quarter 2. We are confident that the business is poised for a strong growth in H2.

Our pace of innovation continues with the launch of 2 new products under Dermicool under the brand HE and 3 new launches on the Zanducare portal. Further, we re-launched our light moisturizing cream under the name of BoroPlus Soft in a fresh new look. The light moisturizing cream segment is the highest growth segment in skin care currently, and we believe with the strong association of the BoroPlus mother brand, with moisturization, care and trust, BoroPlus Soft has all the potential to become a very significant player, not only in the segment, but also a significant value driver for the BoroPlus portfolio.

Our channel play continues to evolve as sales contribution from organized channels, that is modern trade and e-comm and institutional sales at 26.6% of domestic business increased by 190 basis points in the first half of the financial year, growing by 14%.

Our international business showed resilience in the face of geopolitical challenges with sales growth of 12%, excluding Bangladesh. Overall, our international business grew by 6%, both in constant currency terms and in INR terms, led by a strong performance in the MENA region. In the first half, international business grew by 9% in constant currency and by 8% in INR terms.

The situation in Bangladesh has improved from the lows of July and August. However, challenges like rising inflation, depleting forex reserves, along with political instability, continue to impact the business. However, we are confident of maintaining our market shares even in troubled times.

In the second quarter, our gross margins expanded by 60 basis points to 70.7%, while EBITDA grew by 7% to INR250 crores, with margins expanding by 110 basis points. Profit before tax rose by 13% to INR220 crores, accompanied by a 220 basis points margin expansion and profit after tax by 19% to INR213 crores.

For the first half of the financial year, gross margins expanded by 140 basis points to 69.2%. EBITDA at INR467 crores reported a 10% growth, while PBT surged by 15% to INR399 crores and PAT also rose by 16% to INR365 crores. These results highlight our ability to deliver solid financial performance even amid challenging conditions and set the stage for a promising second half.

Consequently, our Board has declared an interim dividend of 400%, amounting to INR4 per share for FY '24. As we look ahead, we are optimistic about a strong recovery in the coming months. With the re-launch of Fair and Handsome set for in Q3 and our focused interventions for Kesh King, we are confident that these brands will bounce back and start contributing to the growth in H2.

And with a good winter season forecast, we remain committed to our goals of high single-digit revenue growth and double-digit EBITDA growth for FY '25, and we are progressing steadily towards achieving these targets. We remain focused on driving sustainable volume-led growth by expanding our distribution reach, investing aggressively in our key brands, and capturing market share across our portfolios.

With this, I open the floor for Q&A. Thank you so much.

Moderator: We have first question from the line of Harit Kapoor from Investec.

Harit Kapoor: So just on the 2 brands that have struggled a little bit, Male Grooming and Kesh King, both have seen kind of 5 quarters of decline in terms of brand growth. Could you just highlight, Mohan Ji, about how you are looking -- what are the kind of key steps in this new phase of re-launch in Fair and Handsome? Any light you can give on that? And secondly, on initiatives in Kesh King that you are taking to make changes in this brand?

Mohan Goenka: So Harit, you're right that these 2 brands have been struggling for some time, Kesh King particularly the oil and Male Grooming for some time. So for -- I think I had mentioned in the last quarter con call that for Kesh King and BoroPlus, we have engaged BCG for the growth of these 2 categories. They started the work in August. Of course, they will come with some solutions in the next 6 to 8 months. Hopefully, after that, once we implement the strategies, we will see a significant growth in the Kesh King category.

As far as the Male Grooming is concerned, we have re-launched the Fair and Handsome just about -- in this month. There is a substantial change in our re-launch with a new brand ambassador, young brand ambassador. So hopefully, with all these changes, even Male Grooming will show signs of growth. We're very confident of these 2 brands going forward now.

Harit Kapoor: Just a follow-up on each of them. Apart from changing communication and brand ambassador. Is there anything else? Is there a packaging, formulation, any other change that has been made on Fair and Handsome pricing, etcetera?

Mohan Goenka: So Harit, yes, there is a packaging overhauling, what we have done here. And yes, we want to go into a larger Male Grooming space from Fair and Handsome. So we are working towards that and you will see a significant new launches coming up in the fourth quarter or in the first half of next year.

Harit Kapoor: Understood. And just a follow-up on Kesh King, it seems like category growth is a challenge because you are driving significantly -- so you're continuing to see market share improvement. So how does one address the category growth challenges? Does one have to push -- move Kesh King out -- I mean extend the brand?

Is that the best way to drive? Because the category growth is -- if it's hard to mend the problem of category. So just wondered your insight -- initial insights on how you are thinking about what's the real challenge is the because category growth seems to be the problem on the oil side.

Mohan Goenka: So Harit, Kesh King is anti-hair fall, okay, category. It's an expensive oil, as you know. So -- and it sells in the mass consumers, okay? So because of inflation, of course, there has been a challenge as far as this oil is concerned. Shampoo is still doing better than the oil. Now the only way to grow is hair fall is a big problem. And we don't see any reason that this category will not grow in future.

Of course, we have faced some challenges from some start-ups, so people are trying new products into the category. But whatever said and done, as I said, BCG is actively looking at this Kesh King strategy. And we have planned a significant growth in shampoo for the time being. Once we are ready with the Kesh King oil strategy, we will roll it out. And yes, I agree that it will -- we will be launching some extensions to Kesh King oil.

Moderator: We have a question from the line of Prakash Kapadia from Spark at PMS.

Prakash Kapadia: Two questions from my end. Can you give us some sense on what is happening in rural and urban markets? And going forward, what are your thoughts in terms of growth drivers for us? And secondly, if we look at the journey of Emami, both in general as well, distribution, direct and indirect expansion, penetrating rural, then modern trade came in when e-commerce came in and now quick commerce has come in.

So how are we gearing for this change in evolution in terms of distribution changes happening in the industry? And where are we in terms of capability in terms of mix? What is happening in modern trade and e-commerce? And some thoughts on general trade and quick commerce?

Manish Gupta: Great question. So first of all, as Mohan Ji said in his opening address, modern trade and e-comm are now contributing a large good chunk and -- the fastest growing channel, like it's growing for most of the other companies and rightly so. We might have been a little late to the party, but currently, we are trending in line with the contributing channels, the quick, MT, e-comm. Within e-comm, quick-comm, of course, is the fastest-growing channel. Just to give you an idea, in quick-comm, over the last 6 months, we have kind of 2x-ed our number, and we're thinking that over the next passing quarters, which is coming -- this is going to grow faster. So -- and we are investing both in terms of resourcing and attention and investments to double down on that growth. Now having said that, as we said, the traditional strength of Emami has always been the GT side as well, and I'm happy to share that on the GT front, we have done a lot of great stuff over the last many years, where rural continues to be a stronghold.

And we have further tightened our resources there. We have also started looking at premiumizing our general trade channel via initiatives into the supermarkets, the marts and the stand-alone stores because they are becoming a big force and a shopping avenue for the urban consumers. So we are tackling each one of them. Our prime focus right now is to stay strong in rural, premiumize urban GT, stay strong in modern trade, double down on the quick commerce, right. So because the consumers have become multichannel, their shopping behaviours are changing very rapidly. And in tune with that, we are investing in each of the channel.

Prakash Kapadia: Okay. And modern trade and e-commerce would be, what, 15%, 18% for us as added?

Manish Gupta: 25% plus.

Prakash Kapadia: 25%, 25% plus. Okay. And Mohan Ji on rural and urban in some thoughts?

Mohan Goenka: So as Manish said, Prakash, that rural has been slightly better than the urban markets, okay? But there is not much of a difference. Of course, in the third quarter, which is mostly led by BoroPlus antiseptic cream and majority of it comes from the rural market. So we will have to see how the third quarter pans out to be. We have a very, very robust distribution in the rural markets, so if the winters are strong, we will see a significant growth in the third quarter.

Prakash Kapadia: Okay. At least forecast seems to be of a very strong winter is what we've been reading.

Mohan Goenka: Yes, the forecast this year is a strong winter, yes. And we are seeing some signs of winter in the north now, so that's what we are -- our market is saying that our stocks are now moving from the market.

Prakash Kapadia: Okay. So the channel pipeline has started?

Mohan Goenka: Yes, yes. Now it is getting.

Prakash Kapadia: And you alluded to Kesh King and you gave some insights into BCG. But some of this was tried earlier also because we changed the packaging, we tried smaller packs, we tried and expanded the market. We went to rural. But somehow that volatility or growth seems to be missing despite some of these initiatives which we have taken earlier also.

So what is surprising is despite it being a problem-solution area, it's facing such challenges despite not being such a large category. So what are we missing? Or what is the consumer thinking -- meaning?

Mohan Goenka: So Prakash, I see, honestly, you are right, we have been trying on this category. And we have a strong belief in Kesh King, because it is anti-hair fall. And see, our job is to keep on trying until the time they succeed. So -- it's a big, big category. We see a huge future in shampoo and also in oil. So -- and BCG is, as I said, hopefully, they should come up with some great solutions. We are ready to invest any amount of money beyond Kesh King, very honestly.

Prakash Kapadia: Okay. And some of these initiatives should start reflecting from Q4 onwards? Or next year, we should see?

Mohan Goenka: No. So hopefully, from Q4 onwards, because actively the research is undergoing. So once they give some idea, we will roll it out quickly.

Prakash Kapadia: Understood.

Mohan Goenka: As I said, there will be disproportionate spend on Kesh King because we really see a big potential behind Kesh King.

Moderator: We have next question from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Yes. So just a few observations. So far, most of the companies have highlighted, to protect the channel, hygiene, companies have taken some inventory cut and taken a pause on the primary end, focus on secondary. Second, we also understand a few companies have highlighted there is urban slowdown in consumption. So in your lens, in your product profile, what is your observation, if you can give some depth?

Manish Gupta: As far as channel inventory is concerned, I meanwe have issues in certain areas, but it's not as large an issue as some of our competition had to get into a stage. We are pretty decently well managed, well-oiled system. And to take care of our profitability of our partners and distributors, time to time we keep giving -- whether it's a credit support or other things, to ensure that the pipelines are right.

So you must understand that we are a seasonal business into 3 categories. So we do undergo shift of inventories and all that, but largely product concern that we have to go to the extent of cutting down big time of something. Contractions here and there, we keep taking month-on-month, quarter-on-quarter, wherever required.

Now as far as the urban and rural mix is concerned, as we said earlier, for us, the story is quite uniform. We are, by far, the number 1 brand in most of the big categories that we operate in. So we pretty much, drive the growth force to urban and rural side. I hope it answers your question.

Shirish Pardeshi: Yes. Manish, I understand what you're saying. But just to give you a point of need, pain management has grown only 5%, even BoroPlus has also grown only 2%, despite you have taken some new product launches. So -- I mean, the season has not panned out the way it was expected for pain management, especially for balm. And even BoroPlus side is expecting the loading would have started happening. So inventory is an issue or there is something else?

Manish Gupta: No, no. So BoroPlus is very simple. We are looking at quarter 2 numbers, which is July, August, September. Over the year, the loading for the winter season, most brands would like to do it from October, November onwards and not September onwards. As Mohan Ji mentioned earlier, we are taking a conscious call that with load in line with the season of it, rather than to talk about our pipelines for the distributor and the capital.

So October onwards, that story will start. There might be some little bits here and there, but that's fine. We're very confident on the BoroPlus side. As far as the pain management is concerned, the quarter half 2 perspective, that quarter 3 is our biggest season and as we get into winters and onwards. And category is doing well, both in urban and rural, Zandu is doing very well there. We don't see any major reason for an alarm there.

I mean even if we look from a share perspective, because either maintaining or growing our share, so that's good. In fact, the good point I would like to share is we are now seeing an increased participation from modern trend, quick commerce towards the OTC category, especially because this -- some of them, especially in quick commerce scenario or e-comm scenario, they lend themselves to a better category fit when it comes to impulse and emergency solutions. We are conscious of that opportunity, and we want to capitalize on them as the panoramic continues.

Shirish Pardeshi: Sorry to little harp on this point because over the last 4, 5 quarters, we have spent significant amount of money on Project Khoj. So -- I mean Project Khoj is -- primarily was -- to our understanding, was improving throughput. And if the category has been seeing this kind of input, the sales is not in tandem. So that's why I was -- I was a bit worried in asking this question.

Manish Gupta: No, I understand that. The Project Khoj was about creating our hubs and spokes into the rural market. Over the last 3, 4 years, that work has been done. We have expanded our villages, expanded our hub and spoke. And now Project Khoj has officially internally been called out because it has done its job.

Now we're in the process of gaining the fruits from that through our retail network through all these, right? But to say that we are not using the thing, I'm not sure that's the right way to do it. Market shares are growing on the category. I mean, that's a good proof of -- that we are gaining from it.

Mohan Goenka: Shirish, just to add on Manish's point, see any investments that you do, you don't know how the markets would behave. You all know that rural markets or whether urban, well, there is some level of stress as far as the consumer demand is concerned. So these are investments for a very, very long-term investment that we do in rural markets or growth -- or expanding outlets in the rural markets. Once the market bounces back, we would be preferably the companies who will benefit the most.

Shirish Pardeshi: I understand. I'm completely with you Mohan Ji, because you guys are spending more than the industry average. Within the question is that it's not sufficiently getting us to the revenue momentum. That's the big challenge we see...

Mohan Goenka: I don't subscribe to what you're saying, Shirish, because honestly, if you see the challenge that is on a few brands, some of the other brands are still doing much, much better and growing faster than the category. So some brands are dragging the number down. Otherwise, we would have done much, much better, Kesh King and Male Grooming, and also, we did not load BoroPlus in the second quarter.

So that is -- these are the key reasons. International also was double-digit growth, if you would see in the last 5, 6 quarters. because of Bangladesh, we could not grow. Otherwise, our growth could have been easily 6% to 7%. And also The Man Company, because of the transition, you have seen the growth in The Man Company, and The Man Company has not grown. In fact, it has declined in the second quarter.

These are certain transitional things that we will have to take into account. I think the brands are very, very robust in these tough times. Let me be very clear.

Shirish Pardeshi: Okay. My second question to Gul Raj Ji. What has driven this 11% growth? Is that the channel specific, if you can give colour, because Manish just said that the modern trade and e-commerce is showing a lot of momentum. So maybe if company's average contribution is 26%, is the modern trade is really driving the growth? Or GT has also been flaring? And some colour on the Chengdu online, what are the numbers?

Gulshan Raj: Yes. So thanks, Mr. Shirish. I'll answer both the focus on channel and the online contribution. So from a channel perspective, the growth has been driven predominantly by the GT business in terms of having performed well on the OTC side and on the medical or ayurvedic medical business, the pharma ayurvedic business. Online has also done well, especially e-comm.

But since the contribution is relatively smaller yet for e-comm, modern trade, obviously, they've done better than the GT growth. I mean, for the last few years, and hopefully, over the coming years also, both e-comm and modern trade will perform better than the GT business. But the GT business has also done reasonably well in terms of driving this 11% growth.

Coming to the online part, the online business, we've done well both on Zandu Care and we now have a fairly robust product portfolio, which is doing well, both on Zandu Care, and we also, as you know, extended it into modern trade. We've also been selling it, obviously, on other e-comm marketplaces, and they're also doing pretty well.

So from an online perspective, we are focusing on 3 channels, our own portal Zandu Care, the various e-comm market places and modern trade and all 3 are doing reasonably well.

Shirish Pardeshi: Okay. That's really helpful. Mohan Ji, my last question, you said that you are quite optimistic. So give us some 2, 3 parameters on which you are confident that things will change in quarter 3, quarter 4.

Mohan Goenka: So Shirish, as I said, see, one is Bangladesh is -- as far as international is concerned, I think it was due to the Bangladesh market that we'll grow in the third quarter. Again, The Man Company, which was doing exceedingly well because of the transition, it degrew in this quarter. But I'm hopeful that in the third quarter, it will again start growing. That is the second. Male Grooming is a complete re-launch we have done in the month of November.

So hopefully, maybe if in this quarter or in the next quarter, you will see a significant growth coming in from Male Grooming. Kesh King may take some time before we get the results from the BCG. And we are predicting a good winter this time. So if the winters are good, then hopefully, that should give us at least 1% or 2% additional growth. Net, we expect at least 7% -- 7% to 8% growth in this quarter.

Shirish Pardeshi: No, I mean, in the presentation, I saw that there is a re-launch of HE and now we are getting into even the perfume and eau de cologne. So is there any strategy for this segment to look at? Or is -- this is just going to complement our Male Grooming portion also?

Mohan Goenka: So HE was always a Male Grooming. We only had deo, and these are only to target some upmarket consumers. If you have seen the packaging of HE, it targets to a very, very urban consumer. We are trying only in e-comm right now. If we see some momentum, then we will go into the modern trade.

Shirish Pardeshi: Do you have any particular target for the new product contribution for FY '25?

Mohan Goenka: We have a target, which is about 1% of our sales. So that is what is the target. But it all depends, some projects get delayed in launches, then the targets come down.

Moderator: We have next question from the line of Naveen Trivedi from Motilal Oswal.

Naveen Trivedi: Sir, my question is, again, on BoroPlus range. Last year, we had seen a weak revenue growth year. And on top of it, if I look at the first half number also, we had done around 3% growth. You also used to talk about the second half sort of pickup should be there. Our base numbers are also favourable. But looking at the annual numbers, do you think this -- BoroPlus' range can do around high single digit to low double-digit range if the winter poised well for this year?

Mohan Goenka: Definitely, Naveen. I expect if the winters are good, we must see at least double-digit growth, high single-digit growth. Even if the winters are not so good, we will definitely expect about 7%, 8% growth in the BoroPlus range. You have seen the summer, what -- the summer was strong this time. We grew disproportionately in our summer brands, right? So if the prediction goes right, we expect better numbers for sure.

Naveen Trivedi: So this double digit, growth, you are saying for the second half? Or you are saying for the year, sir?

Mohan Goenka: For the second half, basically.

Naveen Trivedi: Sure. And if you can also give us some sense about -- because we have done a lot of brand expansion under BoroPlus, soaps and sales portion of. So if you combine all expansions, what is the mix of the initiatives that we have driven? How much do they contribute to the brand?

Mohan Goenka: So BoroPlus antiseptic cream, then we have BoroPlus winter lotion, then we have BoroPlus soap, and then aloe vera gel, prickly heat powder, these are some of the categories under BoroPlus. And now recently, again, re-launched BoroPlus Soft, these are some of the categories. So about 75% -- 75%, 76% is antiseptic cream, balance 25% is the rest of the categories.

Naveen Trivedi: Sure, sir. Sir. And just one thing on the Helios. You mentioned about the quarter we had some 9% decline because of the ownership change. Do you think the -- we will be able to recoup in the second half? Or you think that the -- now the second half will be as normal as we have seen in the first quarter?

Mohan Goenka: Sorry, which category you asked?

Naveen Trivedi: The thing with Helios, the names that we lost, 9%, yes.

Mohan Goenka: Okay. Yes, yes. So Helios, the transition is still on. So hopefully, it would be completed by mid of November. And then we expect the growth coming in. Hopefully, this quarter should grow, not so handsomely, but yes, we will see some growth in -- but fourth quarter should be better than the second and the third quarter.

Moderator: We have next question from the line of Vishal Gutka from HDFC Securities.

Vishal Gutka: I have just want 2 questions, first is on Kesh King. So how do you see competitive intensity in wake of Sesa being acquired by Dabur, given that it has much resource terms of competition. And on the other end, you have brands like Adivasi oil, which you are selling at a very aggressive discount given that they're getting shelf space now. So I just wanted your view on that.

And secondly, on pain management, growth of 5%, although my thought process was that monsoon season on the second quarter is a very important quarter for the pain management portfolio. So just wanted to hear your thoughts that why growth has been subdued a little bit. Some -- winter also play an important role in driving the performance of pain management?

Mohan Goenka: So we will have to wait and watch, Vishal, how the competition does what they do. As far as we are concerned, we never take anyone lightly, and we are framing the strategy for Kesh King, I mentioned. So -- and I also mentioned that we will spend disproportionately on Kesh King because we are very, very bullish. Adivasi oil doesn't conflict with our consumer base. Adivasi oil absolutely goes in the new consumer. That will grow the market further, I believe.

And pain management, yes, 5% growth we had in the second quarter. But the third quarter, we have started handsomely, at least in the month of October. So -- and as Manish said that the categories are also growing. We are also seeing some growth coming in from quick comm and e-comm under pain management. So hopefully, you'll see better numbers in the third quarter.

Vishal Gutka: Great, sir. Last question on my side on the urban demand, because most of the companies are -- I would like stress in urban demand. What is your assessment? How are you doing going forward urban demand with regards to the portfolio that you have?

Mohan Goenka: So, Vishal, now we are -- slightly, we are getting a new mix. You would see that 26% of our business now comes from MT and e-comm. That is primarily urban. And some of the new categories that we are coming in are also urban driven, whether it is HE, The Man Company or Brillare, some of these brands are mostly urban brands. So we will have a good mix of urban and rural going forward. We are still very, very bullish on the premiumization. We will keep on launching some of the brands or products under our existing brands. So yes.

Moderator: We have a question from Percy Panthaki from IIFL Securities.

Percy Panthaki: Just one question on the subsegments of hair oil. So this hair fall defense category, from whatever data you have from syndicated sources or consultants or whatever, do you find that this hair fall defense category is growing slower than the overall hair oil category? Or that is not the case?

Mohan Goenka: Percy, that's not the case. As I said, hair fall is a big, big issue, both in urban, rural, male, female everywhere, okay? And what we have seen is that some of the start-ups, there are multiple start-ups who have launched these hair fall oils, which is mostly sell-through e-comm. So that has, I think, slightly dented the sales of Kesh King. So I'm not seeing that the category is shrinking or the category will go down because this -- the problem is not getting solved, hair fall, in fact, it is increasing with stress levels being up.

Percy Panthaki: So sir, do you think that there is a case to have different variants within Kesh King with different ingredients like instead of til oil, you can launch a variant with Bringha oil or something like that, which would help sort of address different kinds of customers with different needs?

Mohan Goenka: Absolutely, Percy. So as I said, BCG is on it. Let us give at least 1 or 2 quarters to them. Let them come up with the right strategy. And then you would see a different Kesh King hopefully.

Percy Panthaki: Right. Right. Understood. Also wanted to understand, see, modern trade, quick commerce or e-commerce, etcetera, as you said, is like close to 25% of your sales now. which means, as a percentage of urban, it is probably close to half of your sales. And obviously, this number is only going to increase as we go ahead because these channels are sort of gaining favor among customers.

So do you think that from a slightly medium-term perspective, like a 5- to 10-year perspective, if these channels are becoming very heavy, we need to also think of our portfolio from that lens as to what kind of products and what kind of categories would be more amenable to selling in those channels. I know we have now The Man Company and some of the other products like that. But do you think we need to do more on that as well?

Mohan Goenka: See, I don't have an answer very honestly. Five to 10 years is a long period. But yes, we definitely believe, as you said, e-comm, MT, quick comm are the new future distribution channels. Whatever needs to be done, we will to be successful in these channels.

If you would remember about 5, 6 quarters or 7, 8 quarters back, no one believed that Emami can do 26% from e-comm and modern trade, because people believed we don't have the products for modern trade and e-comm. But that's not true. So whether it is Navratna or BoroPlus or Zandu Balm or any of these brands, they very well sell in modern trade and e-comm.

Percy Panthaki: Got it. Just the last question is you mentioned some time ago that 75% of BoroPlus is antiseptic oil and 25% is the other variant.

Mohan Goenka: Antiseptic cream.

Percy Panthaki: Sorry, antiseptic cream and other variants is 25%. Would you be able to give some idea as to what this ratio was, let's say, 5 years ago? And how do you think it can evolve 5 years from now?

Mohan Goenka: So exact numbers, I will not be having, Percy, but I think 5 years back, it would be almost 90%, 92% would be antiseptic cream, 7%, 8% would be the other brands. In the last few years, BoroPlus lotion, BoroPlus aloe vera gel and BoroPlus soap, these have gained significantly.

Percy Panthaki: And do you think this trend can continue, like this 25% can become sort of meaningfully larger over the next 5 years or so?

Mohan Goenka: Yes, definitely. So we also believe there is strong growth potential in BoroPlus and that's why we have given 2 brands to BCG. One is Kesh King and one is BoroPlus. It's a very long-term strategy, yes.

Moderator: We have a question from Nitin from Emkay Global Financial Service.

Nitin: First question is with respect to digital brand revenue, a decline of 9%. So when you are talking about transition and change in management, what exactly is it all about? Is there any change in the supply chain, which is leading to this decline? Or it's just the top management change that is driving the decline?

Mohan Goenka: It is the top management because the promoters are now out, and they have handed it over to us. So we are now managing The Man Company and Brillare. So it is just transition because we will have to take over, we will have to hire people, we will have to do all this. So it is taking 1 or 2 months. That's it. It is just the top people.

Nitin: So in terms of hiring more people...

Mohan Goenka: There were multiple promoters who were managing this business, all of them are out of this.

Nitin: Okay. So can we assume that, like, it was not planned well or it was bound to happen?

Mohan Goenka: Any transition, Nitin, takes a while. Of course, we plan before we do any transition, okay? But it is very, very difficult to know exactly what is going to happen. So this was a big transition, because start-up works very differently. And as I said, there were multiple promoters who are driving The Man Company. So now as it has come -- and hopefully, we'll see some growth from third quarter.

Very recently, for these startups, we have hired a CEO, Mr. Vikas Mittal. So hopefully, he has just joined, and now he's going to take over and grow these brands. He's a highly seasoned guy, Vikas. So of course, he has targets to grow The Man Company. So he also needs to settle down. He has just joined, about 10 days back.

Nitin: Okay. And second question is with respect to this A&P spending. So there's a decline of 5% on a Y-o-Y basis. So can you consider this...

Mohan Goenka: Come again. Sorry, come again, it was not clear.

Nitin: I'm talking for the perspective of A&P spending, advertisement and promotion. So there is a decline of 5% on a Y-o-Y basis. So this is more related to like the re-launches or the launches we are planning in Q3, that's why there is a cut in Q2? Or how should we do it?

Mohan Goenka: So Nitin, if you see H1 -- if you see the H1, the growth has been almost 7.6% in the H1, because of some of the re-launches and we have cut on the Q2, but we will make it up in the Q3 or Q4, okay. But we are definitely not cutting down our advertising budget, okay?

Nitin: So my point is...

Mohan Goenka: Because our margins -- from day 1, I've been telling that our margins are expanding, and we want to invest behind our business. So we will do that.

Nitin: Okay. So that means that in the second half, we will have a higher A&P spending?

Mohan Goenka: Yes, definitely and despite of that, our margins will still expand.

Nitin: Okay. So second half, you are expecting EBITDA margin to expand?

Mohan Goenka: Yes. So first half also, it has expanded and it will continue to in the second half, yes.

Nitin: Yes, yes. And lastly, on other income, like, there is a jump, so any one-offs sitting here?

Rajesh Sharma: Yes, Nitin, the income has primarily gone up because of -- on account of higher interest income, higher mutual fund gains on liquid investments. And also we are having higher surplus funds this year compared to last year. So it is mostly in normal course of business.

Moderator: We have a question from the line of Ankit Shah from RK Advisory.

Ankit Shah: Sir, my first question is on since we are visible that the A&P spends on the 7 Oils in One. So are we planning to grow the brand size going ahead? If yes, then the target, if it's possible?

Manish Gupta: So I think 7 Oils in One is definitely a focus brand. The brand size is around INR45 crores in the domestic business. We have been focusing on this brand for the last few years. and it still remains under the focus. So there is not much change in the strategy of 7 Oils in One. It will continue the way it is.

Ankit Shah: Okay, sir. Got it. Sir, my other question will be on -- if you could share the impact of the new product launches and the marketing campaign that we did in the H1 FY '25, you can just show -- throw some light on that.

Manish Gupta: So in my con call, I've said we have recently launched some new brands, which has happened in this quarter. We will have to wait and watch the results in the subsequent quarters. So I have been maintaining this that we will be aggressive in our new launches going forward also. And the total new launch contribution we expect at around 1%.

Moderator: We have next question from the line of Shirish Pardeshi from Centrum Broking.

Shirish Pardeshi: Just a quick question. We have taken some MAT credit. So I just wanted to understand the tax rate for -- and how much match credit is available for the second half?

Rajesh Sharma: So for H1, the tax rate average tax exit is around 9%. So for the full year also, it should be in the range of 9% to 10%.

Shirish Pardeshi: Okay. That will remain at 9% to 10%?

Rajesh Sharma: Yes.

Shirish Pardeshi: Okay. And the second question is that with TMC coming under our belt, do you think we will do the in-house manufacturing? Or we will continue the manufacturing supplies from the outside?

Mohan Goenka: No, no, we'll continue the way it is, Shirish. We are not changing anything right now. It will come from the existing units.

Shirish Pardeshi: Okay. No, I was just saying because now you have now control on the company. So if the profitability is going to be taken at some point of time in the future, what will the course of action?

Mohan Goenka: No. So right now, we don't have any plans to move the factories to move the operations. It will gradually happen if it happens.

Shirish Pardeshi: Okay. And just one more question on the TMC. Once now, we have -- so you said that now -- you're basically now trying to reorganize and get it merged. So initially, we have seen some feedback from the channel and trade. But if we build a number for the next 2 to 3 years, what kind of potential this brand can become? I mean, would this be visible then as per your estimate, you are saying about INR200-odd crores?

So how much, the growth, especially for TMC, can happen? And what are the growth drivers? And what are the channel expertise we will try and establish?

Mohan Goenka: So Shirish, The Man Company is about INR180 crores. At least in the next 3 to 4 years, we expect the sales to go to about INR300 crores, INR350 crores. That's what is the target given to Vikas. And of course, it sells mostly through e-comm, and we will roll it out in some other channels going forward. We're also seeing substantial reduction in costs and that would be deployed in advertising.

So how we operate other Emami brands, similarly, we'll also operate The Man Company. Of course, the contribution will be far more from digital or e-comm and MT.

Shirish Pardeshi: Okay. And any word on the Axiom? What is happening there? I mean last time we had the update, about 2 quarters before the plant is going to get scheduled. And is the production and the product has started going into the market?

Mohan Goenka: Yes. So Shirish, yes, the production is on from Jammu. Of course, this is an off-season for juices. Now the next year, we will be supplying from Jammu only.

Moderator: Thank you very much. As there are no further questions from participants, I now hand the conference over to management for closing comments.

Rajesh Sharma: So thank you, everyone, for joining us today for our Q2 earnings call. Thank you, IIFL. Thank you, Percy, for arranging this call for us. Thank you.

Moderator: On behalf of IIFL Securities, that concludes this conference. Thank you for joining us. 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