emami limited

17th August, 2020

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

The Secretary,
The Bombay Stock Exchange Ltd.
Limited, Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai – 400 001.

The Secretary,
The Calcutta Stock Exchange
7, Lyons Range,
Kolkata-700001

Dear Sirs,

Sub: Transcription of Earnings conference call held on 7th August, 2020

With reference to our letter dated 31st July, 2020 regarding Earnings Conference Call, post declaration of Unaudited Financial Results of the Company for the First Quarter ended 30th June, 2020, at the Board Meeting held on 7th August, 2020, we are enclosing a copy of the transcription of Earnings Conference Call.

The aforesaid information is also disclosed on the website of the company at www.emamiltd.in

Kindly take the same in your records.

Thanking You,

Yours faithfully,
For Emami Limited,

Ashok Purohit
Assistant Company Secretary

Encl.: As above

"Emami Limited
Q1 FY2021 Earnings Conference Call"

August 07, 2020

ANALYST **MR. PERCY PANTHAKI - IIFL SECURITIES LIMITED**

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

Moderator: Ladies and gentlemen good day and welcome to the Emami Limited Q1 FY2021 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Percy Panthaki from IIFL Securities Limited. Thank you and over to you Sir!

Percy Panthaki: Good afternoon everyone. It is my pleasure to host the management of Emami Limited. I have with me Mr. Mohan Goenka – Director and Mr. Rajesh Sharma – Sr. VP Finance & Investor Relations to take you through this quarter results and the outlook going forward, so without further ado over to you Mr. Goenka!

Mohan Goenka: Thank you Percy. Very good afternoon friends. I welcome you all to this conference call on Emami result for the first quarter ended June 30, 2020. I hope all of you and your loved ones are safe and healthy.

I am pleased to inform you that Emami has posted a resilient performance with improved margins in this quarter in the challenging times that the COVID-19 presented. This is despite the severe impact of the unprecedented nationwide lockdown on the offtakes in April, which led to disruptions in the supply chain. I am pleased to inform you that our team faced the challenges head on to ensure that the sales improved considerably in May followed by a high single digit growth over previous year in June 2020. Our July performance has been even better wherein we have registered a double-digit growth.

During the quarter the company's domestic business declined by 26% as offtakes of our summer portfolios were significantly impacted due to the lockdown coupled with a weak discretionary consumption environment; however, secondary sales degrew by just 15%, which is much lower than the primary sales decline.

Our healthcare and hygiene portfolio contributing to 43% of our domestic business grew strongly by 29% during the quarter; however, Navratna declined by 41%, Kesh King declined by 33% and male grooming range declined by 70%. While traditional sales channel and modern trade were impacted due to lockdown and social distancing norms, e-com channel grew strongly during the quarter by 108% more than doubling its contribution to the domestic business.

The pandemic highlighted the necessity and importance of health and hygiene in our lives. The consumer preference for products in the health and hygiene segment became the focus. Emami today is well positioned to take cognizance of the changing consumer needs and has a range of innovative products basket in the pipeline. Accordingly, we introduced many new products in the health and hygiene category in this quarter.

BoroPlus with its nationwide strong brand equity for its antiseptic and germ protection properties introduced a personal hygiene range consisting of hand sanitizer and antiseptic soap, which received a very encouraging market response. Under the Zandu healthcare range we introduced Zandu Ayurvedic sanitizer, Zandu Ayush Kwath powder and single herbs range, which includes Giloy, Neem, Tulsi, and Ashwagandha among others. We also launched e-com channel specific products under the healthcare range. Apart from these new launches in the health and hygiene category, we launched BoroPlus Aloe Vera Gel. All these launches performed well in the current environment and the overall contribution to the domestic revenue during the quarter by these new launches was at 5%.

Further the company has already lined up a slew of new launches in the health and hygiene category over the next few days. I am also very excited to share with you that we are on the verge of introducing a new brand, which will signify our foray into a category that is completely new for us. We have been exploring the possibility of our entry into home hygiene segment for some time, but the pandemic highlighted its importance more than ever to prompt us to finally take the plunge. We have plans to introduce the brand and its range of products very soon and we are confident that the brand and its exciting propositions and attributes would win consumer hearts.

During the quarter international business declined by 19% due to COVID led challenges in key geographies. We also introduced hygiene range for international business as well, which was well received by the consumers. The CSD business declined by 38% during this quarter although consolidated revenue at 481 Crores declined by 26% tight cost control measures and benign raw material prices help improve gross margin by 230 basis points at 66.5% and EBITDA margins increased by 490 basis points at 25.5%. Profit after tax increased by 1% and PAT margins increased by 220 basis points.

As you might be aware that we have completed the sale of our cement business, which has led to a significant reduction in the promoter’s pledge to 55% currently, this will further reduce to around 50% in the next few days. We also concluded the buyback process in July 2020 acquiring 94.2 lakh shares for Rs.192 Crores. Post buyback the promoter stake now stands at 53.86%.

The beginning of the new financial year was not on a good note due to the unprecedented nationwide lockdown. It is a phase that we along with the whole industry struggled to understand its impact on our businesses as well as our personal life and tried our best to absorb the sudden and unexpected impact. We did analyze internally as well as studied the environment to identify the right strategy to overcome the negative impact of COVID-19 and to come out unscathed as much as possible under these difficult circumstances.

Our strategy involved management of supply chain, opting for newer avenues to reach out to our customers, introducing effective health and hygiene products, will help us to tackle the situation as the market starts stabilizing and demand consumption picks up. We have surely witnessed green shoots starting May, which has since been growing steadily. Going forward we expect the growth momentum to continue and look to end the year with growth, provided COVID pandemic does not heighten. With this brief, I now open the Q&A. Thank you so much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss. Please go ahead. As there is no response from the current participant, I have muted the line. We will take the next question from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: Encouraging recovery in June and July. I think for the full quarter as you have mentioned secondary sales has been lower than primary so there is no restocking through the quarter, but in the month of June and July when your growths have been positive and in July double digit any sense of how much of this could be restocking versus actual offtakes in the market, if you could give us some broad sense on that?

Mohan Goenka: So Arnab actually what has happened is in the month of June and July see our distributor stock has also further reduced. In April our distributors holding stock was almost 27 to 28 days and now by end of June that stock has also come down to 19 to 20 days so we were very cognizant we never wanted to increase our distributors pipeline because earlier the stocks are higher, we have corrected on two, three things, one is we have brought down the distributor stocks down to the reasonable level of 18, 19 days.

Arnab Mitra: When you ended March 31, 2020 was the stock levels in that approximately 27, 28 days range at that stage also versus which is now on 18, 19 days?

Mohan Goenka: Yes, at that point of time the distributor stock was almost 27 to 28 days. Also one more advantage we got because at the beginning of this thing we had a credit of almost in the domestic business credit of almost 13, 14 days, but now our credit in the domestic business is hardly 4 to 5 days, we have really corrected over the last two months in June and July.

Arnab Mitra: The second thing was on the healthcare business I can understand because of the environment growth has been good, but any reason you would ascribe to the high growth in pain management because it does not seem very directly linked to the healthcare situation right now, so is it market share gain, is it some lack of market share gain or unorganized to organized share gain of anything of that sort?

Mohan Goenka: There were two, three things. One what we found out with a quick research, that the stress levels had increased significantly, so people had a lot of sleepless nights, people were getting less sleep that was also one of the reasons, also in these times what we also got to hear from the research that people were not taking too many painkillers because of fear so they moved to these ayurvedic products, balm was of course one of the main products what they used for any pain relieving, so these were two key factors why suddenly we saw a jump in our pain portfolio.

Arnab Mitra: My last question was in the month of July the recovery that we have seen the part of the business, which was doing very badly, which is personal care or let us say the male grooming part of the business or even Kesh King, have they seen a better recovery and that is why July is better than June or is it the healthcare part of the business itself it is going even better in July which is why the growth has further improved?

Mohan Goenka: No, this growth is still led by two brands one is Zandu overall healthcare and the pain portfolio. Of course, the male grooming has also improved significantly it is not like 70% so both the Kesh King and male grooming has also improved significantly in July compared to May and June, but the growth is led by mostly Zandu and pain.

Arnab Mitra: Okay thanks, that is it from my side, all the best.

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

Prakash Kapadia: I had two or three questions. Some of the new launches, which you mentioned in the PPT look very interesting like the Zandu Papaya Leaf Extract is there anything like this in the market and the other launches, the antiviral, the joint pain, the digestive stimulant how are you creating awareness for these products, is it digital medium because I would guess most of them would be OTC consumer product so how is the awareness being created and secondly on the healthcare side how is Chyawanprash and Honey doing is it time to refocus on Honey as a segment now?

Mohan Goenka: Yes, Prakash I think we have launched all these products only on e-commerce side, because these products are very expensive so we have launched in one specific area and it would be mostly digital advertising it would not be mass media advertising, and secondly as far as Chyawanprash is concerned of course our base is very low, but just to give a number on Chyawanprash and Honey we have almost done almost 7x of what we did last year in this quarter.

Prakash Kapadia: On Honey are we seeing that as an opportunity and focusing on that as a segment because that also seems very promising?

Mohan Goenka: We have overall focus on the Zandu brand of which Honey is also a part of it., Chyawanprash of course is leading, so overall because of this COVID there has been an overall offtake both in Pancharishta and every Zandu products have shown significant growth I would say, as I told Chyawanprash we hardly use to sell, our sales have gone up by 7 times for Chyanprash and Honey.

Prakash Kapadia: Lastly given the commentary which you said about the new pipeline entering a new category and the NPD which looks like ad spend have to bounce back because this kind of cut in ad spends cannot sustain with the growth and recovery which seems on the way?

Mohan Goenka: See honestly not that we are not increasing much of our ads for this year because we have cut from some other brands and we are putting into the new brands. Overall the rate of ads have also come down, so I am not seeing a big jump on our advertisement expense to be very honest, it is just rejigging in the portfolios because last year significantly we had spend good amount of money on HE, so this year we have taken out money from HE and putting that money on some other brands.

Prakash Kapadia: Thanks, I will join back the queue for more questions. All the best.

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

Percy Panthaki: My question is on the distributor days that you spoke about earlier, so if I got you right the distributor days as of March end was 29, as of June end was 26 and as of July end it is 19, my question is between June and July it has fallen by about 7 days in a matter of one month it has fallen by 7 days so basically it means that despite this if your primary sales is sort of double digit it means that the secondary sales would be like 30%, 35% for the month of July is that correct?

Mohan Goenka: The secondary inventory reduced to 19 days at the end of June itself.

Percy Panthaki: In this quarter what would be the contribution of new products?

Mohan Goenka: I told 5%.

Percy Panthaki: Okay that is all from my side.

Moderator: Thank you. The next question is from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: After long time I am seeing there is a lot of focus on Zandu healthcare business so is that is our main stay or going forward we will focus more energies on Zandu platform and healthcare range?

Mohan Goenka: Yes, absolutely Shirish I think this pandemic has helped us to increase our focus on the Zandu brand. Of course our focus was always there, but we are putting significant resources both in terms of money and time as far as the new launches are concerned and new channel of e-com is concerned so lot of focus is going on in healthcare. We have got a new healthcare head who has joined from Dabur, Mr. Gul Raj Bhatia he has joined about last month so we have a very good team and I think there is a huge opportunity in the healthcare. Also, I think BoroPlus also because of its antiseptic and germ-killing properties also has very good opportunities for these times so there also we are coming out with a lot of new launches.

Shirish Pardeshi: If I understand correctly MohanJi we had a separate sales force for Zandu healthcare range, is that correct?

Mohan Goenka: Yes, absolutely we have a separate team altogether.

Shirish Pardeshi: How big is that team now on the ground?

Mohan Goenka: The team we had about 350 people.

Shirish Pardeshi: My next question is on the gross margin we have seen a significant gross margin expansion almost 230 basis points could you help us to understand what are the levers, which we have tried and with these gross margin expansion what we have seen in this quarter is sustainable?

Mohan Goenka: No, I think these are sustainable numbers. Of course menthol is very benign plus we have also put in a lot of R&D efforts in cost cutting, identifying new vendors. I had mentioned last time we had appointed AT Kearney to reduce our cost across the board so due to the focus of cost reduction this has helped us in increasing our margins and I think margins are not under pressure. I think there are chances of improving further, because we have still identified a lot of areas where we can reduce cost.

Shirish Pardeshi: So, if you remember last quarter you gave a guidance that ATK would add a significant number of 80 to 100 Crores?

Mohan Goenka: 50 to 60 Crores for this year.

Shirish Pardeshi: So, is there any change that you will work to revise it upwards or it remains at 60 Crores?

Mohan Goenka: No, I would not change now annualize that the exit could be still higher but for the year I do not think we would cross about 50 Crores.

Shirish Pardeshi: My last question is on the new product you have just guided that in Q1 this 5% contribution which has come in which is significantly much higher so just now you have said that you are entering into the new category if you can give me some colour and how this full year look like from the NCD what is the contribution you are looking and what kind of sense one can build in?

Mohan Goenka: Shirish our estimate is that with new products we should be able to do about 5%, 5.5% contribution from new products, again it would all depend how the offtakes are because during launch the momentums are always high, we have already launched some products, home hygiene is going to be launched by this month end so then it would all depend on the offtakes but if you ask on the budgets we have taken a 5% contribution.

Shirish Pardeshi: In terms of spends what kind of additional spends or you are saying that within the budget what you have seen is you will manage?

Mohan Goenka: Yes, there would not be any additional spends honestly, we have just rejigged our portfolios.

Shirish Pardeshi: Yes, thank you and I will come back again for further questions.

Moderator: Thank you. The next question is from the line of Krishnam Parasramka from Cafe Network. Please go ahead.

Krishnam Parasramka: You have mentioned in your opening statement that you have successfully completed the sale of the cement business, so my question was that what role that Emami Limited have with the cement undertaking?

Mohan Goenka: Emami Limited does not have any role in cement.

Krishnam Parasramka: Because the company has been disclosing to the exchange about that the transaction is in order and in place so if you could just shed some light over it?

Mohan Goenka: That is only because of the pledge.

Krishnam Parasramka: My second question was that on July 14, 2020 the company has disclosed that the deal was completed but then again on July 24, 2020 the company has said that more shares have been pledged in favor of Novoco, so is the deal completed in all aspects or are other formalities left?

Mohan Goenka: No this is because I had told in earlier remarks also that there is about 10% to 12% share pledged with Novoco because of some mining lease, there is some contingent liability so for which the shares have been pledged with Novoco.

Krishnam Parasramka: Alright thank you.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Congratulations on the good set of results. Sir my first question is again with regards to the ad spend so like last year we have done approximately 15% of sales as ad spend so are, we looking for a lower number and any number that you can guide for this year?

Mohan Goenka: So last year our actual ad spend was 17%, overall was 17.7% this year also we have kept a budget of almost 17%, 18% only.

Gaurav Jogani: So, is that, that we are expecting a significant ad spend increase in the coming quarters because it was quite lower in this quarter?

Mohan Goenka: Yes, because of this some of the new launches the ads you would see some increase in the coming quarter.

Gaurav Jogani: Sir my next question is with regards to the amortization spend at this quarter it was lesser at around 55 odd Crores so how should one built up for this going ahead, is this because of the closure in the operations per month that it was lower this quarter or how should we build it going ahead?

Rajesh Sharma: Going ahead our amortization would come down to roughly 25 Crores per quarter.

Gaurav Jogani: Can you help us how long it is still there that he will give amortization 5 years more?

Rajesh Sharma: The Kesh King amortization is till June 2025.

Gaurav Jogani: Sure, and one last question is on the tax rate also this quarter the tax rate was also at a lower end so what will be tax guidance for FY2021 and 2022?

Rajesh Sharma: So, for the full year you can take around 19% to 20% kind of tax rate.

Gaurav Jogani: That is at the consolidated level Sir?

Rajesh Sharma: Yes.

Gaurav Jogani: Thank you Sir that is all from my side.

Moderator: Thank you. The next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: The first question is on home hygiene what will be the plan here because already **(inaudible) 29:06** completely dominates and you have Unilever and then you have players like ITC, Dabur, GCPL and every players is entering so in the past year success in clutter category has been mixed for example in HE and many other segments for example Honey and Chyawanprash we have tried a lot but there is a strong player what you are seeing here?

Mohan Goenka: We have identified some areas where we think we have some opportunity Abneesh. The market size is very large so no presence also does not make any sense so I think we must try it out, the market is really, really expanding. Going forward the market would almost double or triple in the next few years so there I think we can play a good role.

Abneesh Roy: In Honey you have seen such a strong growth now Marico's entered through Saffola how do you see more players entering and would you now give good advertising support and maybe channel push also here and even in pricing some corrections have happened because your pricing is not exactly in the value?

Mohan Goenka: We have corrected the prices Abneesh and Zandu is a significant play. I think in the healthcare space, so definitely the focus has multiplied I would say over the last two months on all the Zandu brands so Honey is part of that, Chyawanprash is of course part of that, we have increased our spends both on Chyawanprash and honey and all the other Zandu brands. I think the momentum is good; Pancharishta is also absolutely going at double digits now so let us hope the momentum continues.

Abneesh Roy: It is good to see you continue to attract good talent from competing companies so what would be the brief for the person from Dabur who has come will it be to kind of replicate systems and maybe even some of the gaps in product portfolio or will it be to focus in your strength areas not necessarily replicate what is there you see in the other company?

Mohan Goenka: It is not about replicating whatever because we also believe that we also have good enough systems in place. Wherever of course there are gaps they need to fill it up and we have got him only because as I said healthcare is an extremely focus area for us and he has extremely good knowledge on what areas we want to expand. We want to be very aggressive going forward, promoters focus is now completely back on this because of the pledge concerns are over now, so we have a very stable sales head, we have a stable now healthcare head, we have international head, so I think the team is in place we have learnt to work from homes, we have launched many, many products over the last two months and there are about 20, 30 lunches going forward, so I think if everyone is working what they are supposed to do.

Abneesh Roy: Last question Fair & Handsome what is the way forward because of the work from home further the application area on face that I think has further become adverse because shaving etc., was much lesser and second now the market leader has come out with a very similar sounding brands whom they will be coming so what is the way forward here already last two years has been very tough for this brand?

Mohan Goenka: That is the only brand in our entire basket, which I would say is still under stress and you are right so because of this lockdown people are using less of these products, we would have to wait and watch, cannot do much in these times for male grooming Abneesh, so you would still see some stress in male grooming.

Abneesh Roy: On the brand and the competitor?

Mohan Goenka: Brand name is sub-judice so the court must decide the brand belongs to whom.

Abneesh Roy: Okay that is all from me thanks a lot.

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

Harit Kapoor: I had just two questions firstly just wanted to get your sense on rural versus urban trend and within that just wanted to understand how you are managing the whole wholesale scenario, have you kind of changed up into more superstockist or substockist and how are you just managing given the fact that rural is a large part of the portfolio, just wanted some sense on distribution?

Mohan Goenka: It is a good one, so I think because Emami as we are always relied on rural and rural is a good play because of migration from urban to rural market so rural has actually grown double digits in this last quarter, so retail where we declined significantly but it was only because of rural we could pull up these numbers.

Harit Kapoor: On the distribution side I understand wholesale is a bit stressed so how are we kind of substituting that in the current context I know you have a new sales head also so any strategies that you can talk of there?

Mohan Goenka: Honestly wholesale was not so much stress for us because we also grew in wholesale in this quarter and also in the month of July we could see some growth coming in the wholesale, still there is some pressure only at the retail level, retail is still declining but rural and wholesale, retail and modern trade is declining but wholesale and rural is growing. We have also listed ourselves in almost every e-com site now and we have tied-up with a lot of these delivery channels so that we ensure that there is no loss of sales.

Harit Kapoor: My Second thing is on the margin front. One point on that was the advertising spend you said that you want to maintain it at a certain rate, we are hearing about media rates being more attractive so are we to understand that you will be buying more media so in terms of you are going to get more aggressive there while maintaining the same absolute spend is that the right way to look at it?

Mohan Goenka: So yes, we have almost tied up with some of the media channels we have got some better deals for the year so I think even maintaining at the same levels we can do some good GRPs.

Harit Kapoor: I was just trying to understand from the context of even when you maintain at same intensity look at here our absolute cost might be lower so risk in that context?

Mohan Goenka: Yes, but because of some new launches you will also to expect some little more.

Harit Kapoor: The last thing was on the other expenses side and you mentioned that 50, 60 odd Crores of saving so if your ad spends are going to be in a similar ballpark do we expect that a bulk of this other expense number saving through 80, etc., will come flow down to the EBITDA line for the year?

Mohan Goenka: Yes, Harit we had some savings in other expenses this quarter so these savings would be retained and going ahead also as we said we are working on cost to control through ATK and we see good amount of benefits flowing in from all quarters apart from advertisements, so looking at that I think our EBITDA margins should improve this year.

Harit Kapoor: Got it. So that is it from me I will come back for more. Thanks.

Moderator: Thank you. The next question is from the line of Prasad Deshmukh from Bank of America. Please go ahead.

Prasad Deshmukh: Two questions I have, one is Pancharishta struggled for sometime in the past two years as the proposition for the consumer was getting confused a question, now when this pandemic on do you see a possibility that now it comes back on track in terms of growth trajectory for at least say a couple of years?

Mohan Goenka: I think the brand has come back to growth in the month of July, of course in the first quarter it still degrew by about I think 10%, 11%, but July has been a good double-digit growth for Pancharishta. I cannot say for how many years but yes what it looks like we had also done a lot of changes in terms of our communication in terms of what it is.

Prasad Deshmukh: Correct, that was pre-COVID, it was struggling a bit and the question basically is has the consumer realized that okay even if the impact is not immediate this is something which is important to have from health perspective from maintaining health perspective?

Mohan Goenka: Absolutely, I think a lot of new consumers have tried it out because June was again a very good double digit growth and July is also same momentum, so as many new consumers tried it is good for us because the product delivers.

Prasad Deshmukh: So moving to second question in the quarter was there any reduction in distributor incentives typically there are this quantity of cash discounts that are there, was there any reduction in those kind of incentives and if so then what was the impact on margins?

Mohan Goenka: There was not much change as far as incentives are concerned, that is hardly even if it was it would not be even 0.1%, 0.2%.

Prasad Deshmukh: Got it, thank you MohanJi.

Moderator: Thank you. The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher. Please go ahead.

Amnish Aggarwal: Couple of questions from my side. First being if we look at our ad spends during the quarter they have actually come down and last year also there were a bit I would say static only, now if you look at the FY2021 what sort of an ad spend are you budgeting because in the first quarter they have come down by nearly 54% and you have got many launches, which are lined up?

Mohan Goenka: As I said we would maintain our percentage to about 17%, 18% so whatever number it comes to.

Amnish Aggarwal: Second is that in terms of say new launches so a lot of launches have actually happened in the BoroPlus bank and these launches are I would say they are all across the hygiene segment like your toilet soap is there and hand sanitizer, etc., are there, so if we have to segregate 5% incremental which has come in the quarter so how much of it has come from say product like sanitizer, etc., and how much of it is sustainable in the long-term and what has been the response particularly to toilet soap, etc.?

Mohan Goenka: Toilet soap was only launched in June in fact third week of June so there are hardly any numbers of toilet soap and if we see sanitizer it was about 3% and 2% was from other products.

Amnish Aggarwal: Okay so 3% was from sanitizer?

Mohan Goenka: Yes.

Amnish Aggarwal: Finally just one thing incremental as you said in your opening remark that now the promoter pledge is down to 55 and soon it will be down to 50 so what is the exact amount of borrowing if you can share against the shares?

Mohan Goenka: The exact amount is about 1130 odd Crores.

Amnish Aggarwal: What is the timeline you are looking at now for further reduction of that and what could be you can say what sort of benchmarks we should look for that?

Mohan Goenka: We would try to get rid of this by end of March, once the deal concludes for any of our lands or other assets then you would see the pledges coming down.

Amnish Aggarwal: There were some numbers which you have shared just right now on the amortizations for the coming few years so it will be 25 Crores per quarter?

Mohan Goenka: Yes 25 Crores per quarter.

Amnish Aggarwal: But earlier it used to be around 50 Crores, 60 Crores so why so much of a change?

Rajesh Sharma: The Kesh King intangibles, which we acquired had different intangible assets so some of them had life of five years and some of them we are amortizing over 10 years, so we have just completed five years of acquisition of Kesh King on June 20, 2020, so the complete amortization have happened for those assets.

Amnish Aggarwal: So incrementally now it will be approximately 100 Crores per year?

Rajesh Sharma: Yes, so that also includes Creme 21 acquisition so on account of Kesh King it is roughly 92 or 93 Crores per annum.

Amnish Aggarwal: Okay thanks a lot.

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

Kunal Vora: In BoroPlus what explains a very high growth and almost doubling of sales in June what would be the contribution from new products like sanitizers and what would be the growth of existing products?

Mohan Goenka: So Kunal the growth is led by the new launch's sanitizer.

Kunal Vora: Excluding that growth would not have been much is it?

Mohan Goenka: Right.

Kunal Vora: Second you had appointed a consultant for Fair & Handsome what **(inaudible) 44:27** suppose to do a relaunch, have those suggestions still relevant or COVID changes everything and get back to the drawing board for Fair & Handsome considering that HUL also has come up with its own strategy?

Mohan Goenka: Every suggestion is still relevant; of course the markets are very tough for male grooming or for any discretionary product. So if you see results of every company I think skin care has been a challenging area, when the right time comes then we would bring in the focus in the male grooming segment, for the time being we have enough other areas to focus on.

Kunal Vora: Lastly you touched a little about rural but like just with regarding the strong growth which you have seen in June, July is it been driven by like higher rural and specific contribution, are they increasing and how is it like if you can throw some more insights?

Mohan Goenka: Yes, I told you that the growth is led by wholesale and rural channels.

Kunal Vora: Sachets as have you seen an increase in consumption of sachets, what would be the contribution there?

Mohan Goenka: Sorry come again.

Kunal Vora: Sachets.

Mohan Goenka: Sachets contribution has not gone up it is primarily the same it is in the range of 32%, 33% only.

Kunal Vora: That is, it from my side, thank you.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Sir my first question is since we expect to close the year on a positive note this means we need to show at least that kind of a growth for the remaining three quarters and unfortunately we have not reported that in the last few years, also we see your last few years performance company had gained market share across product categories but they did not witness a good growth in absolute terms, which means there was no growth in the category itself, so from you to grow at double digits I feel that the category also has to grow at that rate and you being the leader in almost all categories how did you make sure that there is a growth in the categories which you are not witnessed in the last few years this is my first question Sir?

Mohan Goenka: Ankit we never said that we are expecting a double digit growth we said we could achieve our last year numbers; of course there is a 25% decline in first quarter, which we have to make up in the three quarters and we have estimated a 5% contribution from new products, which is roughly about 130 Crores to 150 Crores. International also Creme 21 is showing good signs of growth, Zandu Healthcare is showing goods signs of growth, if the momentum continues then we are very, very confident that we would end the year with a positive note I said, so you would make up this 25%, 26% of our decline, which has happened in the first quarter, which is almost 150 Crores of loss on our topline that we will be able to make up going forward.

Ankit Babel: So that I need to understand from you what is your view on your power brands like BoroPlus, Navratna, and Kesh King and where do you see the growth of these product categories as a whole in the next say two years point of view, these products are highly dependent on the season?

Mohan Goenka: Yes, absolutely so I cannot predict the season for BoroPlus so if the season is good then of course we would see a good number for BoroPlus and Navratna season is unfortunately gone we cannot do much on that, so we are launching a lot of products, which are mostly unseasonal whether it is on the healthcare range, whether it is on the home hygiene range, whether it is BoroPlus under BoroPlus brands also, so June, July has been good for both Kesh King or all the other brands other than just the male grooming so if this momentum continues then why would we even think that we would not grow.

Ankit Babel: Second question is on your margins. You are expecting 50, 60 Crores of cost savings in your other expenditures that your raw material prices are also in favor, so we used to do 29%, 30% kind of margins historically so can we be back to those levels say in the next couple of years?

Mohan Goenka: No, what looks like that margins are favorable I think last year was 26% so let us see if I think all parameters are favorable whether COGS, whether cost, we are very confident of, of course achieving 26%, but you are right if this momentum of June, July continues then there would be an expansion in March end for sure.

Ankit Babel: Is it possible to quantify that Sir?

Mohan Goenka: It is very difficult for me to quantify right now, but what looks like that there would be expansion in March end.

Ankit Babel: Great Sir, thank you.

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

Tejas Shah: After many quarters Zandu seems to be on the limelight so just wanted to understand what is the current size of Zandu Healthcare range ex of Chyawanprash and Honey?

Mohan Goenka: Ex of Chyawanprash and Honey?

Tejas Shah: Yes.

Mohan Goenka: Chyawanprash and Honey is quite small in our total portfolio.

Tejas Shah: Ex of Pancharishta.

Mohan Goenka: Even ex of Pancharishta.

Tejas Shah: Yes.

Mohan Goenka: Overall if you see Zandu total size would be about 250 Crores or so and Pancharishta and this Chyawanprash would be about 100 Crores.

Tejas Shah: Sir just wanted to understand that is this an outcome so you said that it was always in the plan but thankfully for because of COVID it has been the plan has been accelerated and are we seeing a long addressable opportunity here and if you have to take a slice to that opportunity what that number would be and in past also we have mentioned and you actually spoke it two years back that how we are creating feet on street to actually create a new route through ayurvedic doctors and all so what is the strategy to help that advocacy your influences also?

Mohan Goenka: It is very difficult for me to discuss the strategy on the concall, so we can of course have a separate call but the point is that Zandu is growing significantly in the last three, four months and we have renewed our focus back on Zandu. Just to give a number if we were doing a 15, 16 Crores of business now we are doing almost 23, 24 Crores of business per month in Zandu so it is almost 27%, 30% growth in Zandu so if I think the momentum should continue because Zandu is still quite an underleveraged brand, we would also increase our spends under Zandu, what clicks what does not click these are very difficult for me to say.

Tejas Shah: Just wanted to understand that since group has scale down groups footprint operations from many other sectors to focus on Emami so has any more family members join to strengthen the team here?

Mohan Goenka: No, not really.

Tejas Shah: Lastly capex plan for this year?

Mohan Goenka: It is about 80 Crores.

Tejas Shah: This will be largely maintenance?

Mohan Goenka: Mostly moulds.

Tejas Shah: That is, it from my side and all the best once again. Thanks.

Moderator: Thank you. The next question is from the line of Ritesh Chheda from Lucky Investment. Please go ahead.

Ritesh Chheda: Just on Zandu, what are we looking at over the next three years as a share of our revenues from the healthcare range and what differential gross for EBITDA margin does this portfolio bringing and since we always thought that Zandu is a piece, which was a fairly strong piece within our portfolio, but was not getting a new share do you think that some other piece of your business should actually be relooked and probably reorganized?

Mohan Goenka: You are right, so there has been a quite an increased focus on two brand sides one is Zandu and, we think BoroPlus in these times have a very good opportunity because of its antiseptic and germ kill properties. As I said that Zandu Healthcare, which normally we clocked about 15, 16 Crores per month is now at almost 23, 24 Crores per month, so if this momentum continues then at least 2% or 1%, 1.5% contribution would increase from this range.

Ritesh Chheda: On a three-year period, this 8%, 10% of our revenue have we put a target or a thought process that this 8%, 10% should be of what number?

Mohan Goenka: No, we have not put any number as of now because we have to see how this momentum continues there are a lot of new launches also I think we have identified about 20, 30 new launches under Zandu going forward so let us see I think the contribution should be more than 10% for sure.

Ritesh Chheda: What is the differential gross for EBITDA margin versus the company level margin in this portfolio?

Mohan Goenka: It is slightly higher but not much of a difference.

Ritesh Chheda: Any other piece of the portfolio, which needs to be relooked?

Mohan Goenka: I said our focus has increased significantly on BoroPlus.

Ritesh Chheda: From the cutting side?

Mohan Goenka: What do you mean cutting side?

Ritesh Chheda: In a sense from defocusing it or not allocating resorts or from that angle?

Mohan Goenka: There is no question of defocusing from any of our categories but there is increased focus on Zandu and BoroPlus.

Moderator: Thank you. We will take the next question from the line of Shirish Pardeshi from Centrum Broking. Please go ahead.

Shirish Pardeshi: MohanJi on slide #8 on the international business it was heartening to see that plan third party manufacturing in new geography could you please elaborate which geographies we are looking and is it that driven by Creme 21 or is it that new launches or the current portfolio we are manufacturing outside India?

Mohan Goenka: It is mostly for Creme 21 Shirish and it is mostly in Middle East and Sri Lanka.

Shirish Pardeshi: So does that mean that what you have guided in Q4 concall that you will try and maintain or exceed the international business, but right now if I look at Q1 there was a decline of 18% so do you think that international business also has a lot of room to exceed the 21 revenues?

Mohan Goenka: Yes, international also has performed well in July and now the business is well on track. As I said Creme 21 is showing significant growth we are lucky to have that brand and we have launched quite a number of brands under Creme 21 in different geographies mostly through 3P these are sanitizer wipes and these are sprays, gels, turmeric gel, all those products under Creme 21, so these are all 3P manufacturing and if we get good traction from consumers then yes international could also grow for the full year.

Moderator: Thank you. We will take the next question from the line of Vishal Punmiya from Nirmal Bang Institutional Equities. Please go ahead.

Vishal Punmiya: Just one question in terms of the recovery that you have seen in domestic business if you can just highlight how has the recovery been across regions east, west, north, south in June and July?

Mohan Goenka: Yes, Vishal it is mostly throughout the country not only region specific so mostly across but the various lockdowns, which is happening now sporadic here and there those are impacting some of the towns and cities where we are seeing those disturbances due to this.

Vishal Punmiya: So west should be slightly lower compared to the other regions?

Mohan Goenka: Right.

Vishal Punmiya: Thank you.

Moderator: Thank you. The next question is from the line of Sonaal Kohli from Bowhead Investment. Please go ahead.

Sonaal Kohli: Sir I just wanted to understand let us compared to 6 months back or 12 months back what are the factors, which is giving too much more increase sort of company in terms of relative outlook to other companies is my understanding correct that finally it is revival of agriculture and the fact that leveraging is over or is it something if you could elaborate a bit on those factors the key ones?

Mohan Goenka: So, because of this COVID I think the increased focus has been on the healthcare so that is one of the reasons why we have seen this growth under Zandu and in the month of June and July. As I said the promoter's focus is now completely back on the business, all of us are completely identifying 3P is launching new brands whether it is international domestic healthcare everywhere coming up with a new health and hygiene range so it is a complete 360° and it is very difficult to say that it is only agriculture or care there is migration from cities to towns our base was always rural whether consumers lived in urban cities also but our customers are always mass.

Sonaal Kohli: Understood thank you so much.

Moderator: Thank you. The next question is from the line of Gaurav Jogani from Axis Capital. Please go ahead.

Gaurav Jogani: Sir I just wanted to know what is the volume decline in this quarter overall basis?

Mohan Goenka: Volume decline is about 28%.

Gaurav Jogani: That would be like 2% order pricing?

Mohan Goenka: 1.5% yes to be precise.

Gaurav Jogani: Are you planning any price increases going ahead you are seeing the good traction across businesses?

Mohan Goenka: This year we are not taking much of price increase because of these tough times I do not think price increase should be more than 1.5% or so.

Gaurav Jogani: Thank you.

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

Harit Kapoor: Sir just one question was given that we have been fairly opportunistic over the last few years in terms of acquisitions in India do you think at the current context where that the market is a bit stressed, there are opportunities out there or do you this is a time to kind of look at things in market?

Mohan Goenka: There is no good time or bad time, but presently we are not looking for any opportunities at this point of time I have no opportunities now to be very honest we have enough of brands to be launched and let us focus on them.

Harit Kapoor: That is, it from me, thanks and all the best.

Mohan Goenka: Thank you so much.

Moderator: Sir we have one more question from the line of Percy Panthaki from IIFL Securities.

Percy Panthaki: Just wanted to ask on our dividend payout is there any plan to increase the same?

Rajesh Sharma: For last year Percy we have already paid two interim dividends and those were there for last year so current year we will decide I think we would be maintaining last year kind of product only.

Percy Panthaki: That is all from me. Thank you.

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

Rajesh Sharma: Thank you all the participants for joining us for today's call. Thank you, Percy. Thank you IIFL for organizing the call for us. Have a good day.

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

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