emami limited

Date: 15th May, 2017

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

The Secretary
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001

The Secretary
The Calcutta Stock Exchange Limited
7, Lyons Range
Kolkata - 700 001

Dear Sirs,

Sub : Transcription of Investor's Conference Call held on 8th May, 2017

Pursuant to Provisions of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith copy of the Transcription of Investor's Conference Call held on 8th May, 2017, subsequent to declaration of audited Financial Results of the Company for the Fourth quarter and Year ended 31st March 2017

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

This is for your information and records.

Thanking you,

Yours faithfully,
For Emami Limited

Ashok Purohit

Assistant Company Secretary

Enc. as above

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"Emami Limited Q4 FY2017 Earnings Conference Call"

May 08, 2017

ANALYST: **MR. AJAY THAKUR - ANAND RATHI SHARES AND STOCK BROKERS LIMITED**

MANAGEMENT: **MR. MOHAN GOENKA – DIRECTOR – EMAMI LIMITED**
MR. RAJESH SHARMA – SENIOR VP, FINANCE AND INVESTOR RELATIONS – EMAMI LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Emami Limited Q4 FY2017 earnings conference call, hosted by Anand Rathi Share and Stock Brokers. 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. Ajay Thakur. Thank you and over to you Sir!

Ajay Thakur: Thanks Lizaan. I welcome you all to Emami Q4 FY2017 earnings conference call from the company we have with us Mr. Mohan Goenka – Director at Emami, and Mr. Rajesh Sharma – Senior VP, Finance and Investor Relations. We will start the call with a brief on Q4 FY2017 results and after that we shall open the floor for Q&A session. I shall now request Mr. Goenka Ji to brief on the quarterly and the annual results. Over to you Sir!

Mohan Goenka: Thank you Ajay and very good morning friends. I welcome you all to this conference call on Emami results for fourth quarter and year ended March 31, 2017.

Post demonetization market still remains subdued as the sales in traditional channels like wholesale and rural remain disrupted. Under such challenging market conditions, our domestic revenue grew by 3% during the quarter however, volumes declined by 1.5%.

For the full year FY2017, the domestic business grew by 10% and volumes growth of 6.3%. While on our power brands performed satisfactorily despite the muted quarter they also increased market shares in key categories. We are bullish on HE becoming major force in the male grooming segment and as part of expending the brand portfolio, we have just launched India first waterless face-wash "HE On The Go".

The international business with an exception of Bangladesh and SAARC countries continued to be challenging due to certain geopolitical situations particularly in Middle East countries. The international business degrew by 38% during the quarter and by 16% in FY2017 on the account of sluggish business environment across MENA region. Excluding MENA region it grew by 4% in FY2017. We also undertook an inventory correction in the overseas markets with impacted the Q4 performance. Despite sluggish performance in international business this year we are confident of returning back to double-digit growth in international over the next years.

In the domestic business liquidity crunch and sales channel disruption impacted the offtake of some of our brands. In face of this, we have initiated a massive distribution restructuring exercise to reduce our dependence on the wholesale network and go for direct retailing. We have initiated Project race and Project Dhanush to enhance our urban and rural outlet coverage. In rural areas, we have initiated van operations in nearly 1,500 routes covering more than 6,000 towns with population below 5,000.

In urban areas, we have undertaken a study with Neilsen to identify relevant outlets in and around top 30 towns in India. In line with all these efforts, we increased our direct reach by 90000 outlets to reach over Rs.7.3 lakhs in FY2017 and our target to reach over Rs.8 lakhs outlets will be met by end of FY2018.

Commissioning of the first phase of our new plant in Pacharia Assam is another major highlight for the company in this quarter. Built with an outlay of nearly Rs.300 Crores this is Emami's largest plant.

With the post demonetization situation improving and an eminent recovery expected in urban markets, we expect the consumer sentiments getting back on track and target a good performance in days to come.

With this brief I now open the Q&A and invite the questions. Thank you so much.

Moderator: Thank you. Ladies and gentlemen we will now begin with the question and answer session. We will take the first question from the line of Abneesh Roy from Edelweiss. Please go ahead.

Abneesh Roy: Sir my first question is on the two brands, which have done well on HE and 7 Oils in one. You have seen very strong growth in these two. So my question is how sustainable is this growth because in the past you have seen Pancharishta grow very strongly but then this year has been much lower and in fact declined. So is there some one off your launching new products because of that inventory levels have gone up so if you could take through how you seen growth rate for these two in FY2018?

Mohan Goenka: Both the brands are focused brands for us particularly HE, we have also launched a new brand under HE and 7 Oils in one also showing good traction, so definitely we are going to invest heavily on both these brands. Hopefully, we are expecting good growth in this quarter also. 7 Oils in one grew at almost 40 %to 45% and HE also grew. So these remain to be focused. It is very difficult to say when the market matures but as of now the Oil is a very large category and we see a huge potential in 7 Oils in one. We are targeting a new audience for this and we think that there is big enough market for particularly 7 Oils in one.

Abneesh Roy: Sir what is the size you have said HE was having a size of Rs.10 Crores in Q3 and now Q4 has been very strong so what is the FY2017 size for these two brands?

Mohan Goenka: Specifically, I cannot really say but these are in the range of almost Rs.25 Crores to Rs.30 Crores.

Abneesh Roy: Okay and Sir this Waterless face-wash so do you expect this too become quite big because clearly this seems to disruptive innovation so can market really become more segment becomes large in the stand can this become your main product in face wash?

Mohan Goenka: I cannot say whether this would become the main brand in face wash because Fair & Handsome face wash is also growing very well; So Fair & Handsome plus HE face wash both will grow substantially. You are right so this is a very disruptive launch. Let us see how the market responds. The initial response has been very positive.

Abneesh Roy: Sir my second question is on Kesh King wherein it has not done well this quarter, in Q3 you have said 14% to 15% likely growth is going to happen and bounce back is likely but that has not happened and Q4 if I see numbers there is Q-o-Q dip also so is there seasonality last year also we saw Q4, there was a dip versus previous quarter so is the seasonality that high in this brand?

Mohan Goenka: No, there is no seasonality in Kesh King. So Kesh King if you would see pre-demonetization we were growing quite healthily but post demonetization definitely there has been some stress because this is an expensive oil and consumers have downgraded. Let us see once the market situation improves this is very critical brand and we are taking all efforts to ensure that this brand grows.

Abneesh Roy: Sir versus December quarter also demonetization quarter also there is big dip from Rs.69 Crores it is around to Rs.59 Crores.

Mohan Goenka: Yes so third quarter right?

Abneesh Roy: Yes.

Mohan Goenka: Yes so third quarter demonetization happen only in November 8, so I cannot give you monthly data but in the month of October, we grew very handsomely in Kesh King.

Abneesh Roy: Is the competitive intensity from Patanjali not impacting because now I am seeing packaging of both companies different so what will the need for both companies changing the packaging and second one is they have reported very strong number of Kesh Kanti in FY2017 so obviously they must be growing at someone else's expense. The category is not growing that much so whoever they growing at whose expense are they growing at and your numbers clearly our muted so would not you have also lost some share to Patanjali Kesh Kanti.

Mohan Goenka: See as far as market share is concerned, we have gained market share and if you see the early numbers, we have grown at almost 40% to 43% and last quarter also we grew by 1% so it is not that we have lost substantially to someone. The market is growing. Let us see once the market improves, I am very confident that we would be able to grow faster. There is no doubt in it that Patanjali is growing aggressively in this particular category.

Abneesh Roy: I will come back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Manoj Menon from Deutsche Bank. Please go ahead.

Manoj Menon: Mohan Ji good morning. Couple of questions here. The first one on the new launch pipeline what we have already done in the last three to six months and what is your qualitative thought process over the next one year. Now when I talk about the new launch have simply also referring to let us say HE which is till a brand which probably requires some incubation so what is your thoughts on allocating resources for and let us say in 7 Oils in one or HE which needs significant resources to ramp it up to a much larger scale versus launching lot of newer segments and newer variants etc., so what is going to be the focus and what is the general thought process on new launch pipeline in general? The reason I am asking this specific question is that all investors who had probably met you in the last three to four months had this I did not say concern, but it is one of the important discussion points which lot of investors had had at least with in the last three months about the pipeline which you have?

Mohan Goenka: HE and 7 Oils in one are not really new brands. They were launched almost two years back and these remain to be our investment brands and we are confident the way they have shaped up, they will definitely add to our growth in the long run. Very recently, I just mentioned, we launched a very innovative product under HE so this shows our commitment on the male grooming category. When we launched also I had explained to everyone that HE is not going to remain just the Deo brand. There are many more brands to come under the male grooming segment. As far as 7 Oils in One is concerned this is also very interesting and we are highly committed to grow this brand. We are going to invest heavily in both this categories. Now coming to the new launches, we had postponed some launches because of demonetization and now we have launched full range of pain relieving products under the brand Zandu. So there have been three product launches, one is the Gel, one is the Spray and one is the Roll-on so to take the Zandu pain category forward. These are the launches we have done only just about 15 days back.

Further, we have some more plans. I have always mentioned that this year we would go ahead aggressively on new launches and mostly you would see the brand extensions that would happen- whether it is Boroplus, Fair & Handsome face wash; also we have launched a variant which is oil control; so this year definitely our investments from the new categories and new extensions would be ramped up.

Manoj Menon: Understood. Just I keep follow-up on this is that so would you mean that fiscal 2018 so you are going to disproportionately invest which would actually mean that profit growth could theoretically be lower than revenue growth just because of the investments? I am just trying to get a sense of the magnitude of investments what you are looking at?

Mohan Goenka: So we have to wait and watch for that Manoj. Let us see because we have just launched. I do not think that significantly the margins are going to be disrupted because as I said HE and 7 Oils in One already have existing budgets. They do not need new budget at all as overall, but as far as new brands are concerned, it would I think max of 1% and 1%-1.5% of what we expect to grow up due to advertising. We will balance it out because also we have to face the GST in this year so we will balance that out let us see.

Manoj Menon: But GST should be net accretive to the P&L right for the SG&A part of it?

Mohan Goenka: I do not see it would be accretive but let us see the next two weeks you will get the rate then we will get a clearer picture.

Manoj Menon: Second on the industry, just one question on industry which is quite relevant for you is that look when I think about Patanjali real top down sort of comprises that Patanjali entered three to four years back created I would not say new segment but definitely rejuvenated the mass market ayurvedic/herbal/natural segment and I am using all these words because that is how interoperatively because that is how consumers probably look at it. The question here is that I do not know how much of the numbers what they have put out in the domain is correct or not but without sitting on judgment that it appears fairly large and a decent performance in HPC. Now the question is here that that ayurvedic/herbal/natural as a segment has definitely outperformed most other segments in most of the HPC categories so I am just trying to understand who are the gainers or is it just that they rejuvenated the segment they are actually growing you know companies like you and Dabur, and Himalaya etc., should have got actually we have seen this as tailwind or rather than actually I would say headwinds so how do you think about this opportunity versus risk for someone like you?

Mohan Goenka: As far as we are concerned, we clearly see as an opportunity. I do not see a threat at all and definitely we cannot just follow what they are doing. This gives all of us a lot of headwind to grow. This is what I think. We are working on some strategy. We are learning from what they have done and let us see we cannot just follow what they are doing. We have to come up with some niche unique ideas. Definitely one thing is clear that consumers are looking for alternatives solutions which is in the space of Ayurveda so we are very confident that Zandu will take strong lead in innovating some of the categories and grow the overall market. Wait for sometime I am sure you would be excited.

Manoj Menon: Got it Sir. Thank you so much and all the very best.

Moderator: Thank you. The next question is from the line of Sameer Gupta from IIFL. Please go ahead.

Percy Panthaki: Hi Sir. This is Percy here. First question Sir on distribution you mentioned that you wanted to do revamp and increased rather reduce your dependence on wholesale. Can you give some more idea on that especially on what is your current contribution of wholesale to the overall sales and what you plan to bring it down to exist FY2018?

Mohan Goenka: Percy that is one area we have been focusing over the last 15 months now and I am very happy that things are going absolutely in the right direction. We have already crossed 7.3 lakh outlets as of now and with the new data coming in by this month end we are very confident of achieving Rs.8.3 lakhs outlets by March 2018. So presently our overall wholesale contribution is roughly 50% to 52%, which has come down from 55% and I think by next year once we ramp up the entire distribution it should be in the range of about 40% to 42%. That is the target. We have to wait and watch how the GST also pans out because we are also expecting that post GST anyway the retail contribution would go up.

Percy Panthaki: Right and Sir can you give some idea on what would be P&L impact of this because on the one hand if you reach a store directly you tend to sort of sell a larger range of your portfolios so your topline should go up but your cost will also go up of reaching store directly versus indirectly so what will be the net impact of these two things in the first year and I understand in the long-term it will obviously be accretive otherwise you would not be doing it but in the first year do you think that the costs will be more than the revenue or even in the first year you think that there will be breakeven, what is the break you on point actually?

Mohan Goenka: We are not seeing any impact on the margin. It would be accretive in the first year itself because we have reduced costs substantially in other areas to ramp this operation.

Percy Panthaki: Sir second question is on the brand HE. Ever since we have launched it we had a sort of very roller coaster kind of ride. I remember when it was originally launched few months after that the feedback was that it is doing very well etc., and then I think after sometime there was realization that it was doing well only till the time that it was heavily supported below the line and above the line and after that it fell off then it has improved again. So what gives you confidence that now this brand can stand on its own. Is it just that you are putting a lot of money into it and therefore it is standing or even when you sort of withdraw the money a little bit it is still able to hold its own and what is the market share in the deo space on HE, if you can given an idea on that?

Mohan Goenka: Percy, I mentioned it earlier also that HE is a very important brand and we are going to focus on the male grooming. Deo is an important part of it but more than deo we are launching many new brands. As far as the launch was concerned, we had some issues at the time of launch but then we quickly changed the packaging and we launched the new packaging. Now it is completely stabilized and with face wash and some of the new launches that is in the pipeline, we expect HE to be an important part of our portfolio. Wait for sometime. You have to give some time because this is a competitive category. We all understand that and you have seen it has been a very innovative launch of waterless face wash so it clearly shows the intention that the company is looking to create a male grooming segment.

Percy Panthaki: Sure Sir and last question if I might what would be your…?

Mohan Goenka: As far as money is concerned, any category whether it is any new category needs investment.

Percy Panthaki: Right Sir and last question is for FY2018 in terms of your internal planning, what is the contribution of new launches that you are building into the overall sales?

Mohan Goenka: It is roughly 2% to 3%.

Percy Panthaki: That is all from my side.

Mohan Goenka: From my side Percy, I am very clear that now the demonetization is over and post GST just a disruption is GST as far as are concerned, we have to think very long-term and we have to start investing on our existing brands and our new brands. So, we are confident that just this two three months of disruption of GST and then the market should substantially improve. This is our thinking. So, we are investing on new categories from now so that we can build. So distribution, new brands, new launches all this post GST I think we would be a big gainer; this is my sense.

Percy Panthaki: Understood Sir. Thank you.

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

Prakash Kapadia: Thanks for taking my question. Sir only international business, you know growth has been lumpy; so in that background are we seeing renewed focus on the domestic business to ensure higher growth rate for the company and when do we see sustainable growth coming back in the international business?

Mohan Goenka: So we are very confident that the worst is over for international. We had done some corrections in our inventory in the Q4, but now that is already done. We are still to do some bit of it in the Q1 and the Q2 in the Russian market; other than that we are very confident. In my opening remarks also I have said this year we will grow double digit in international business.

Prakash Kapadia: The earlier plan of scaling the team, growing the business at 15% to 18% that looks difficult in the current environment and the geopolitical situation?

Mohan Goenka: We have to still see the Middle East. If that ramps up then we are very confident of 15% to 18% if that does not happen, still we are trying very hard from Bangladesh, Sri Lanka, Myanmar, South East Asia.

Prakash Kapadia: Totally doubled?

Mohan Goenka: Yes, so I am very, very confident that international would grow a double digit this year.

Prakash Kapadia: Sir, how has the summer portfolio done? What trends are we seeing vis-à-vis climate across?

Mohan Goenka: See the summer has been very intense. So I cannot complain for summer, but as far as the markets are concerned, I still see some pressure particularly in the wholesale channels, as I said it just a matter of time; I think in the next post GST I think everything should be good.

Prakash Kapadia: Sir on Zandu, what is the plan from here on we have done extremely well, Vigorex and Pancharishta have been growing so, again to ensure sustainability and growth coming back because Zandu is very, very strong brand. So, what are your plans and how do you look at Zandu business from here on. So new product launches, the second half, there seems to be a lot of potential in that?

Mohan Goenka: Absolutely. So we realize the potential of Zandu and as I mentioned in the past, we are confident there is enough room to grow the Zandu brand. We have just launched a couple of new products under the pain management and we are going to see some more aggressive launches under the brand Zandu.

Prakash Kapadia: So, second half we should see them Sir?

Mohan Goenka: Yes, let the GST stabilize.

Prakash Kapadia: You are waiting?

Mohan Goenka: Yes, we are now waiting for the GST to stabilize and then we will launch.

Prakash Kapadia: Thanks. Lastly Sir one question for Rajesh; Guwahati facility is one of the largest plants for us. What kind of tax benefits will accrue to us, what kind of tax rates now we see from here on for the overall company in the next year or two to three years?

Rajesh Sharma: Prakash our Guwahati facility enjoys fiscal benefits for 10 years - 10-year income tax holiday and also you get refund of excise duty, which you pay over there for 10 years and looking at this facility, which is the largest for us and so for at least next five years we feel we should be under MAT.

Prakash Kapadia: Okay, let us hope. That is the end Sir. Thanks a lot.

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

Ankit Babel: Good morning. Sir my first question is on your indirect taxation. Sir on an average what kind of excise and VAT we pay as a percentage of sale Sir?

Rajesh Sharma : So on ayurvedic products we pay roughly 11% to 11.5% and on personal care products we pay 24%.

Ankit Babel: Sir is it fair to assume that the operating margins of 30%, which you have delivered in FY2017 would be maintained in the next couple of years at least, barring any unforeseen circumstances?

Rajesh Sharma: No, as Mohan Ji said earlier that we are investing a lot on new launches and would be aggressive on the same this year, so if need is there we would invest little additional on that, so our advertisement cost can go up if required, so our margins before advertisements would obviously remain as per FY2017, but post advertisement we have to see.

Ankit Babel: As you had mentioned that advertisement cost can go up by 1%, 1.5%, so net-net that could be the pressure on margins, right?

Rajesh Sharma: But then we would also like at optimizing cost on other fronts, so we have to see how much ultimately we end up.

Ankit Babel: Lastly Sir you had mentioned that in FY2018 you people are targeting a double-digit growth, so can we expect such growth from Q1 itself or it would be more back ended?

Rajesh Sharma: I think we should expect a little higher growth on the second half and also first quarter is important from the GST perspective. We have to really see if GST comes from July 1. Then there would be some disruption in the channels in June month itself, so difficult to commit in view of the GST now.

Ankit Babel: On a quarterly basis?

Rajesh Sharma: Yes.

Ankit Babel: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Amit Sachdeva from HSBC. Please go ahead.

Amit Sachdeva: Thank you for taking my question. Mohan Ji I wanted to ask something about Kesh King coming back again to the topic of Patanjali because if I look at the recent numbers they have sort of put together in the public domain saying about 825 Crores worth of sale from the Kesh Kanti kind of whole portfolio and if you also give three fourth is to shampoos it seems that they have more than doubled in the last one year and while you have also grown pretty handsomely last year, but I would assume that was also little due to the base of previous year, so given that distribution led delta will go on from Patanjali even the next year the way they are talking about how do you see now given this base what is your expectation from Kesh Kanti portfolio and linked to that also I also fear one more small thing that given what is happening to some categories such as oral care that there is a reverse preimiumization happening of some of the categories because Patanjali has been disruptive. Do you see some long-term margin profile also or the template for growth for you, which has been that advertise heavily, aspirational product, and have high margin is this template subject to change given there is a new disruption called Patanjali in the game?

Mohan Goenka: Amit, we are also very closely monitoring what they are doing. I cannot comment on their numbers. As far as our intelligence shows or our market understanding shows then definitely I do not think their oil business is so large what you have just said. As far as Kesh King is concerned Patanjali competition was always there. We have really seen a slight dip post the demonetization. So let us wait for some more time. I honestly feel post GST once the market stabilizes; we are going very aggressive distribution, retail distribution, which would benefit Kesh King. If you just take standalone figures of Kesh King, we have high dependence on the wholesale channel because this is a brand, which we took over from Juneja. So the wholesale contribution is more than 70% on Kesh King whereas we are 40% as a company. Please give us some more time. We are focusing very hard on the retail channels as far as this brand is concerned. This is a big benefit to us and I have continuously been mentioning this is expensive oil. It would take some more time to stabilize. You will not see any erosion in margins substantially. Let me make it very, very clear. I am very happy that it may be anyone at least the market is growing. So we would always have some benefit because we are also an intelligent player. We understand the hair care business. We understand everything of this market.

Amit Sachdeva: But Mohan Ji my second question was slightly more broad-based as well in some sense that having EBITDA margins this high, it sort of becomes bitter for lucrative point to someone to play a bit of disruptive pricing especially some of the core categories, which obviously have done well in the past, but look at for example Navratna Oil it is for one reason or the other whether summer or rural, but the last six to seven quarters have been muted and do you see some amount of pressure on pricing can emerge in this category if I were to ask like really directly and how you are seeing pricing as a tool somebody could use to gain market share. If suddenly Patanjali thinks that lets us do cooling oil as well a little more aggressively, do you see some risk there?

Mohan Goenka: Amit, let me tell you, you are monitoring Emami for so many quarters have we ever disappointed on margins?

Amit Sachdeva: No really that is what.

Mohan Goenka: Do not worry about the margins front. We are all *baniyas*. We understand the margin. We are also under tremendous pressure. We will not do anything, which would really disturb the profitability of the company, but as I have always mentioned that we are an aggressive folks. We want to invest behind brands. We would only invest at the right time. When you see the market is responding and when we see the consumers are responding. Let the GST phase get over you will see the benefits coming in. We have local competition in almost all our categories.

Amit Sachdeva: Lastly, if I may squeeze in quickly on Pancharishta Mohan Ji any proper diagnosis that you thinking you will be doing, anything that has come out of it and how to resurrect the growth back to its old trajectory if not at that high, but onto the growth path again. Is there any new initiative, which is going on in this set of side as well?

Mohan Goenka: We have done a slight tweaking internally as far as Pancharishta is concerned. This month has been a positive on Pancharishta, so if this continues then again we would see a positive trend in Pancharishta.

Amit Sachdeva: Mohan Ji thank you so much and all the best.

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

Tejas Shah: Hi Mohan Ji. Thanks for the opportunity. Mohan Ji you mentioned that we have very robust pipeline of new product development for Zandu, so when we look ayurveda space, mass ayurveda seems to be the most competitive space now with Patanjali coming at very competitive price point and Dabur also planning to launch its new range of portfolio by next year. Do you believe that Zandu can actually enter or create a space, which seems like as of now wide space premium ayurveda, so just wanted your thoughts on the same?

Mohan Goenka: I cannot be so specific whether it would be premium ayurveda or mass ayurveda, but definitely we are working on a strategy as far as Zandu is concerned and I am very confident that Zandu will be a significant player in the ayurvedic space let me put it this way with our existing portfolio and we our new launches.

Tejas Shah: Sir any learning from our premium honey launch in terms of acceptance of brand and premium ayurveda?

Mohan Goenka: There has been a lot of learning though premium market is always niche, it is small, but that is the call we have to take. Some categories would be premium, some would be mass, some would be you know, so with that it would depend on category to category, but our presence would be all across as far as ayurveda is concerned.

Tejas Shah: We will be leveraging Zandu as a mother brand for all?

Mohan Goenka: Absolutely.

Tejas Shah: Lastly Sir one bookkeeping question. What is the debt repayment plan for this year and capex outlay for next two years?

Rajesh Sharma: FY2018 or capex should be around Rs.1.5 billion and we should be paying off the debt by the end of March 2018.

Tejas Shah: Thank you Sir and all the best.

Rajesh Sharma: Thank you.

Moderator: Thank you. The next question is from the line of Amit Sinha from Macquarie Group. Please go ahead.

Amit Sinha: Thanks for the opportunity. Sir my question was on the wholesale channels, so at this point of time how we are seeing the channel shaping up and in terms of our contribution from the channel has it significantly changed in the last four months?

Mohan Goenka: There is still pressure as far as wholesale is concerned particularly in some markets there is more pressure and what we understand that the month of June because GST this channel would be highly disrupted. Our contribution I have mentioned already in my earlier remarks that it is about 50%, which has come down about 3% to 4%, but by March end we expect it to be in the range of about 42% to 45% or between 40% and 45%.

Amit Sinha: The recent restriction for the cash transactions has it also impacted the channels significantly?

Mohan Goenka: Absolutely that is one of the reasons and wholesale has been very cautious what our understanding has been, so they are also internally revamping all their buying and selling patterns.

Amit Sinha: Secondly Sir for fourth quarter how was the impact of the early summer coming in to your portfolio because for you this is a winter heavy portfolio quarter, so did an early summer coming in impacted the growth the as well or was it not very significant?

Mohan Goenka: So it definitely benefited early summer. We could stock good quantities in our pipeline for Navratna, for Navratna Cool Talc, and also for prickly heat powder. That is why Boroplus saw a slight dip in the fourth quarter, but now the summer is good, but the GST is hovering around on our channel, so let us see. I think wait for two quarter then I think you will get a true picture.

Amit Sinha: Thanks a lot. Thank you.

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

Abneesh Roy: Sir a few follow-ups Sir. One is government is focusing on ayurveda, so are you more or less clear that GST rate will be around 12% for ayurveda or still I think it would go either way?

Mohan Goenka: I have no clue Abneesh. I wish they reduce why 12%, why cannot it be 5%. If the government is really focusing on ayurveda then we expect better rates from the government.

Abneesh Roy: Sir you have a very strong brand in the men's cream and the penetration levels obviously are much lower versus the overall category overall women's and overall category, so 5% decline this quarter or 6% decline full year without looking into the market share let us keep that separate. Do you really feel men's skin cream will see a 5% to 6% decline for the entire year?

Mohan Goenka: Sorry 5% to 6% men's skin cream.

Abneesh Roy: As a category because you are a key player there; you have seen 5% decline this quarter and for the full year it is a 6% decline and obviously penetration levels for men's products obviously will be much lower than the overall category, overall I am saying skin category, so what is the issue here?

Mohan Goenka: There is no issue per se you are right. We see a big opportunity as far as Fair and Handsome is concerned and post demonetization, see you have to appreciate Abneesh for the last seven to eight quarters the discretionary spend was under pressure. This is a discretionary category. Then this demonetization happened. Then we further saw a decline and you have seen the new campaign and also under Fair and Handsome we have launched a very aggressive campaign for face wash, so I think wait for another three to four months we are going aggressive for modern trade, for e-commerce, for digital marketing, and for everything what has to be done to grow the men's category. I would see a positive data for this year both for Fair and Handsome and HE.

Abneesh Roy: That is based on distribution expansion or you are saying the sentiments need to improve that will also be equally important?

Mohan Goenka: We are going a little aggressive as far as our campaign is concerned, so that should also help, but of course the market sentiments have to improve ultimately.

Abneesh Roy: Lastly Cool Talc has grown by 42%, so how big is Cool Talc as part of Navratna obviously my sense is the size is small that is why there is such a high growth, so what is the size of this?

Mohan Goenka: So Navratna Cool Talc our total portfolio is roughly about 30%.

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

Moderator: Thank you. The next question is from the line of Sumit Hizly from Sahara Mutual Fund. Please go ahead.

Sumit Hizly: Thank you for the opportunity Sir. My question will be on the raw material prices, so if you see the raw material prices have been risen than almost like 20% to 25% like menthol and all that, so what do you see the margin is it going to impact the margin the first quarter FY2018?

Rajesh Sharma: So if you look at our gross margins for the full year for FY2017 was around 65.5% and next year also we hope to maintain our gross margins or max take a hit of 20 to 30 basis points.

Sumit Hizly: If you see the average of the raw material prices for the last quarter and the exit of the last quarter is there a different significant?

Rajesh Sharma: So last quarter obviously our prices were a little higher compared to the prices, which were there in the Q4 of FY2016.

Sumit Hizly: Thank you. That is it from side.

Moderator: Thank you. The next question is from the line of Sunita Sachdev from UBS. Please go ahead.

Sunita Sachdev: This is Sunita Sachdev here Sir how are you.

Mohan Goenka: Very well Sunita how are you?

Sunita Sachdev: I had a question on your direct distribution. It obviously should yield a higher throughput and that is the reason you are doing it, but given that you have a seasonal basket relatively more discretionary category or discretionary blend what kind of multiplier are you kind of building in to go direct versus the current way that you are doing business?

Mohan Goenka: Sunita, you are right. I think any direct disruption would yield long-term benefits because we are a multibrand company, we do not see it as a seasonal play. We launch many new brands and direct distribution helps in launching new categories, so also we understand the government's move digitization, the reduction of dependence on wholesale, plus this new modern trade all these are coming in, so definitely we feel the companies who have the maximum direct reach would benefit whether it is seasonal or nonseasonal or anything. Our immediate target is to bring our dependence from the wholesale list to bring it down to 40%. Ultimately it should not be more than 30%, so we are moving towards that direction. It is very difficult to really say because over the last one-year there have been big disruptions of demonization and this GST is going to happen. I do not see any big disruption post GST for the next at least five to 10 years and then the players who have these benefits whether it is direct reach, plus the digitization, software, or handheld we would significantly benefit.

Sunita Sachdev: I get your point, but given that your categories are selling at a low unit price points to a larger degree and you have a very seasonal portfolio when you go in summer you have two or three brands, which make that portfolio while we have four to five big brands, but at a particular point of time, it is usually two to three brands that are making up the basket and predominantly lower unit price points, so given that restriction of that basket size and basket value how do we achieve that multiplier?

Mohan Goenka: I really do not know what is low unit price point. Of course the sachets are different, which would always sell through wholesale, but as far as our brands are concerned whether it is Navratna Oil, Kesh King, Fair and Handsome these brands are concerned they are pretty high priced points.

Sunita Sachdev: On a percentage of revenue for Navratna of course the higher priced ones would benefit you are saying?

Mohan Goenka: Even Fair and Handsome and even Kesh King, so we have almost I would say 1500 to 1600 Crores of sales in the range of about Rs.60 to Rs.70 price point.

Sunita Sachdev: That helps. Thank you. All the best.

Moderator: Thank you. We will take the next question from the line of Ajay Thakur from Anand Rathi. Please go ahead.

Ajay Thakur: Sir I just had one question on Kesh King really, so what will be the size of Kesh King as of now as of FY2017 and secondly you had indicated that you will be taking Kesh King to more retail outlets, so in that context what will be our direct reach for Kesh King now and what are the targets for maybe FY2018 or longer term?

Rajesh Sharma: Kesh King would be roughly 10% of our revenues and we expect that to grow double-digit next year, so around 13% to 14% minimum going ahead.

Ajay Thakur: In terms of the direct reach and the retail outlets because last time I remember that you had mentioned that it is reaching out to around 75000 outlets directly and you plan to increase it to may be lakh outlets, so some colour on that front?

Mohan Goenka: It is difficult for us to give outlets, how many outlooks do we reach directly for Kesh King, but the idea is to reduce dependency of wholesale. Presently, our contribution is roughly 70% to 75% from wholesale.

Ajay Thakur: Thank you Sir.

Moderator: Thank you. The next question is from the line of Sameer Gupta from IIFL. Please go ahead.

Percy Panthaki: Sir Percy here again. One question for Rajesh Ji. See in FY2017 your interest cost is about 58 Crores and your other income is about 31 Crores, so there is a net of 27 Crores of cost between the sort of interest income and interest expenses, so for FY2018 as a full year is it fair to assume that the net of the interest cost and the other income would be around zero?

Rajesh Sharma: Yes interest cost Percy would go down slightly next year because you would keep paying off the debt, but also in other income, there is some bit of a forex income, which is on the normal course of business, so we have to see how much benefit we get next year.

Percy Panthaki: So if you assume that the forex part is basically more or less stable or that does not cause any overall gyration then would the other income sort of be equal to higher than or lower than the interest cost?

Rajesh Sharma: I think next year there would cost on a net basis – around 10 to 15 Crores of cost would be there.

Percy Panthaki: In terms of cost?

Rajesh Sharma: Yes in terms of cost.

Percy Panthaki: That is it from me.

Moderator: Thank you. The next question is from the line of Naveen Trivedi from HDFC Securities. Please go ahead.

Naveen Trivedi: Good morning to everyone. Sir it is possible to give the revenue growth number excluding wholesale channels for the quarter and for the year?

Rajesh Sharma: It is difficult to give specific numbers, but what we have been saying is that our wholesale channel has been impacted this year and hence our direct sales has grown better compared to the wholesale.

Naveen Trivedi: But any ballpark numbers maybe if it is possible?

Rajesh Sharma: So our direct reach has grown in double-digit .

Naveen Trivedi: And what about the modern trade growth number?

Rajesh Sharma: Modern trade has grown by around 20% for us.

Naveen Trivedi: 20% for the year or for the quarter Sir.

Rajesh Sharma: For both for the quarter and the year.

Naveen Trivedi: Sir after the demonetization and what we have seen in the month during January, February, and March, most of the players are saying the recovery has seen more during March month, so given that perspective how has been our urban recovery, which we have seen during the quarter?

Rajesh Sharma: No there has been recovery, but if you look at quarter three, atleast first half of quarter three was not impacted by demonetization. The impact started in the second half, so we have seen improvement, but still the sales channel remains impacted, so we are not back to kind of predemonetization levels.

Naveen Trivedi: That is all from my side. Thank you so much Sir.

Moderator: Thank you. We will take the next question from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Sir just a follow up in a recent interview with CNBC, it came in the weekend you people hand mentioned that you are targeting a revenue of 5000 Crores in the next three years, so can you throw some light on that what will we drive that kind of a growth because doubling the revenue in three years?

Mohan Goenka: Of course we have aggressive plans. I have always maintained our long-term target is to grow at 14% to 15% plus we always look for some buyouts, so that was all inclusive. There would be some acquisitions in the next three to five years, so keeping all that in mind, we have kept a target. It is our aspiration to be a 5000 Crores company in the next three years.

Ankit Babel: Great. Thank you Sir.

Moderator: Ladies and gentlemen, we have come to the last question; I would now like to hand the conference over to Mr. Ajay Thakur for his closing comments.

Ajay Thakur: I thank the management of Emami, Mr. Goenka Ji and Rajesh Sharma for both their participation and also thank everyone on the call. Thank you everyone. Sir any closing comments from your side?

Rajesh Sharma: Thank you Ajay. Thank you Anand Rathi for organizing this call for us and we thank all the participants for participating in this quarterly call . Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Anand Rathi that concludes today's conference. Thank you for joining us. You may now disconnect your lines. Thank you.