



emami* limited

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

May 14, 2018

The Secretary,
The BSE Ltd.
Phiroze Jeejeebhoy Towers,
Dalal Street
Mumbai - 400 001.

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

Dear Sirs,

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith copy of the Conference Call Transcript, subsequent to declaration of Audited Financial Results of the company for the Quarter/Year ended 31st March, 2018.

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

This is for your information and record.

Thanking You,

Yours faithfully,
For Emami Limited,

A. K. Joshi
Company Secretary & VP-Legal
Encl: a/a



“Emami Limited Q4 FY2018 Earnings Conference Call”

May 03, 2018



ANALYST: MR. PERCY PANTHAKI - IIFL CAPITAL 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 Emami Limited Q4 FY2018 earnings conference call hosted by IIFL Capital 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 Capital Limited. Thank you and over to you Sir!

Percy Panthaki: Hi good evening and welcome everyone to this Q4 FY2018 concall of Emami. We have Mr. Mohan Goenka, Director and Mr. Rajesh Sharma, Senior Vice President - Finance & Investor Relations to take us through the results. Over to you Sir!

Mohan Goenka: Very good evening friends. I welcome you all to this conference call on Emami’s results for the fourth quarter and financial year ended March 31, 2018.

The Company has closed the quarter with a turnover of 617 Crores with a like-to-like growth of 12% and volume growth of around 9%. The Company performed satisfactorily during the quarter and most of our major brands continue to perform well despite continuing challenges. Domestic business grew by 10% as rural markets grew stronger than urban promising a good growth trajectory going forward. Major brands like Navratna grew by 14%, pain management grew by 13%, male grooming range grew by 8%, Kesh King grew by 6% and 7 Oils In One grew by 30%.

Q4 being the non-season BoroPlus declined by 2%, healthcare range declined by 2%; however, excluding Pancharishta healthcare grew by 5%. International business grew by 37% led by robust growth in SAARC and MENAP regions, while CSD posted growth of just 1%.

On the financial front, EBITDA at 173 Crores degrew by 3% mainly on account of aggressive spends on advertisements, particularly our new launches where spends increased by over three times at Rs.20 Crores. PAT at 60 Crores however declined by 28% mainly on account of reversal of MAT credit entitlement of Rs.14 Crores. Gross margin stood at 65.2% and EBITDA margins at 28.1% in Q4 FY2018. We have already added 1.2 lakh outlets this year to expand our direct reach to more than 8.5 lakh outlets. In line with these efforts our contribution from the wholesale channel has reduced to around 38%. Further sales force automation has initiated by us earlier is running as per expectation.

We have also enhanced our focus and investment on the modern trade and e-com channel, which today has become an integral and important pivot of growth for the company. We are partnering with key modern trade accounts to create joint business plans to drive sales of our brands and categories in their stores. Currently modern trade and e-commerce accounts for just 6% of our domestic revenue and we target to double this in the next two-and-a-half, three years.

The board has declared a dividend of 700% that is Rs.7 per share, our total dividend payout including dividend distribution tax of Rs.191.5 Crores resulting in a payout ratio of around 31% of cash profits. The Board of Directors have also declared an issue of bonus shares in the ratio of one equity share for each equity share held subject to requisite approvals.

Going forward we expect both rural and retail growth to accelerate in coming quarters with GST stabilization, normal monsoon expectation coupled with higher government spendings FMCG is poised for a good growth. Emami has embarked to take benefit of the emerging opportunities by investing aggressively on existing brands as well as new launches and also foraying into upcoming growth segments through investment in startups. With this brief I now open the Q&A and invite the questions. Thank you very much.

Moderator:

Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Prakash Kapadia from Anived PMS. Please go ahead.

Prakash Kapadia:

Thank you for the opportunity. Only positive I see is the continued ad and sales promotion spends, which continue to grow. In your opening remarks you did mention Emami is poised for growth so when we see that translating into higher revenues because we are not such a large company and we have such strong brand, such a strong portfolio, problem solution, natural ayurvedic product and given whatever GST, e-way bill some comments on that and how is distribution panic and does FY2019 look like 17%, 18% sales growth for us or not if you could give some comments it will be very helpful?

Mohan Goenka:

Mr. Kapadia I think by and large we have delivered good numbers looking at the market scenario you must appreciate our brands are at the end of the day niche products and looking at the overall market scenario I think volume growth of almost 10% in domestic is a fairly good number. Of course there are challenges in some brands, which by and large we are trying to mitigate, but I do not know what 17%, 18% means; of course our aspirations are to grow at double digit and we are working towards that. As you rightly said our investments are going in the right direction, we have invested behind our brands, if GST

stabilizes, if everything stabilizes the way it is going we are confident of achieving good numbers. So still we believe there is some on the ground disruption post the e-way bill or still some of the channel partners are there who have faced issues in GST or post GST or have them settled now. So continuously we have seen our dependence on the wholesale is reducing we have spent a lot of money on our distribution channel. One area we feel we can further grow is the e-com and modern trade business. We have identified opportunities and the Company is taking all steps to ensure that what has happened has happened and let us deliver good numbers, but overall I am happy with the Q4 numbers.

Prakash Kapadia: On Kesh King just an observation is there some merit and some formulation change maybe growth is slower than expected as consumers are looking at say value proposition from a hair fall then hair growth also in the same product, can we communicate how much to apply or something of communication or formulation change any thoughts on that in Kesh King?

Mohan Goenka: I would request we do not discuss the marketing issues. Those are issues let the brand team handle. As far as Kesh King is concerned you have seen that we have grown in this quarter I had assured that we will grow.

Prakash Kapadia: We will bounce back yes.

Mohan Goenka: Yes we will bounce back and we have bounced back. If you see the oil and shampoo mix, in oil we have grown at 11%, which is a very healthy sign. So let us for the time being just see how we can grow the oil. If we have come to the growth area we must not change anything at this point of time.

Prakash Kapadia: Sure and lastly on the summer portfolio what trends are we seeing on Navratna Oil, talcum powder because summer seems to be scorching across India so what kind of trends we are seeing and what kind of this thing specifically on the summer portfolio?

Mohan Goenka: So summer honestly it has been a little erratic because we are seeing a good showers in most part of India it is not the best of summers we have seen in the past, but it is too early let us see because we still have two months of summer left, so if May and June we have good summer then of course we will give you numbers, but as of now the temperatures are not so high.

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

- Moderator:** Thank you. The next question is from the line of Manish Agarwal from Prabhudas Lilladher. Please go ahead.
- Manish Agarwal:** I have a couple of questions. My first question is that you have given the statement that the rural is growing faster than urban so can you throw some more light that how for us the rural how much is the rural growth rate, how much is the urban and what is the outlook going forward?
- Mohan Goenka:** We have four categories one is rural, retail, wholesale and modern trade. The rural has grown at almost 15% whereas wholesale is almost zero growth and retail we have grown at again 15% and modern trade growth is about 50%. The problem is at the wholesale level still the growth is zero in this quarter.
- Manish Agarwal:** And sir if we have to look at say urban growth then what would be that number?
- Mohan Goenka:** That is very difficult for us to really show because we track these four retail, wholesale, rural and modern trade because how much from wholesale goes to urban, how much is goes to rural it becomes a little difficult to track that.
- Manish Agarwal:** Okay, but definitely rural is growing faster?
- Mohan Goenka:** Yes rural is growing faster than the urban for sure.
- Manish Agarwal:** And sir what is the outlook going forward on the same?
- Mohan Goenka:** No, looking at all the external data the spends or the monsoons or whatever we are seeing we are relying heavily on the rural markets.
- Manish Agarwal:** Sir my second question is on the tax rates wherein this quarter you had some tax reversal due to which your tax rate has shot up in 4Q and for the full year also it is close to 22% so can you throw some light on this tax reversal and what is the guidance for tax rate going forward?
- Rajesh Sharma:** Manish this quarter tax rates were impacted primarily on account of reversal of MAT credit of 14 Crores, which conservatively we have reversed because we do not see in coming years we should be able to utilize that. So if we ignore that one off event then I think our tax rate would be around 20% for coming few years.

- Manish Agarwal:** And sir my final question is on the raw material front particularly the menthol prices they had corrected from the peak and they have rebounded a little bit so looking at the Mentha, LLP and the packaging cost so what is the input cost basket looking now, are you looking at any price increase and what is the outlook on margins going forward?
- Mohan Goenka:** Prices for raw materials are firming up, but we have also taken up our prices keeping this in mind, so looking at the overall scenario it looks like we would be able to maintain our margins for this year.
- Manish Agarwal:** But do you expect any softening of input cost going forward?
- Mohan Goenka:** Difficult for us to say of course there is no further scope of price increase, but at the same time I have also said that we would be able to maintain our margins.
- Manish Agarwal:** But sir looking at the fact our A&P has gone up particularly in 4Q and even in full year it has increased by 100 BPS so do you expect this trend in A&P to continue?
- Mohan Goenka:** Yes absolutely, we have taken a target of 18% to 18.5% for this year also.
- Manish Agarwal:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Vivek Maheshwari from CLSA. Please go ahead.
- Vivek Maheshwari:** Sir first on the A&P bit so you said that this 18%, 18.5% run rate will be maintained for this quarter specifically where we have seen a 30% kind of an increase can you highlight how much of this will be for NPD is it like a very NPD heavy quarter?
- Mohan Goenka:** Yes so we have spent almost 20 Crores in this quarter only on NPD, which would continue for next year also. So by and large we have said we will maintain at 18% to 18.5%, so primarily we are going for new launches.
- Vivek Maheshwari:** And for FY2019 you mentioned that you would be able to maintain operating margins, but if you take let us say three, five year view you are one of the most profitable companies in this space, where do you see margins and let us say in next three, five years?
- Mohan Goenka:** So Vivek what we feel that there is no reasons for our margins to come down because we are not launching products, which have less margins. Presently I think the input side is a

little the prices have really gone up if they correct then I think there is a possibility of further expansion, but as of now I said we would be able to maintain 28%.

Vivek Maheshwari: And on Kesh King is it fair to say that worst is behind now and from like this quarter saw improvement shall we expect the same in FY2019 also?

Mohan Goenka: Absolutely so whatever steps we have taken finally it has come back to the growth level let us enjoy the movement, let us work hard to ensure that to achieve this kind of numbers, why would we ever think that the worse is yet to come, of course the worse is over.

Vivek Maheshwari: That is good to know and in your opening remarks you mentioned about investment in startup so could you elaborate on that bit also?

Mohan Goenka: Yes I think in the last concall we had mentioned we have invested in two startups that is both on one is male grooming, one is on the salon business. The idea is that we think these are emerging trends where Emami's presence is negligible, it is difficult for us to invest and learn this business and we see huge opportunity on the digital, e-com, modern trade, young consumers whatever you want to classify, so let us see how this works out. It is more of learning and of course in the process these businesses would grow and we will make some money.

Vivek Maheshwari: Sure and on the volume growth side any guidance for FY2019?

Mohan Goenka: From this year we have stopped giving guidance, we are not giving any guidance on the volume side.

Vivek Maheshwari: And you are already almost net cash other than let us say small ticket investment on startups are you also looking out for acquisitions?

Mohan Goenka: Acquisition strategy is very different Vivek we cannot discuss on concall and we always look for opportunities, but as and when it comes. Of course we have only 100 Crores of debt as of now, which would be paid in the first quarter then we would have cash, but let us see I cannot really discuss the acquisition strategy.

Vivek Maheshwari: Sure I understand. Alright. Thank you and wish you all the best.

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

Kunal Vora: On Pancharishta do we see a scope for repair there or as volumes have been sliding consistently that is question number one?

Mohan Goenka: Yes, like I was confident of Kesh King I think the worse for Pancharishta is also over and we do not see any further decline from here.

Kunal Vora: This is the bottom?

Mohan Goenka: Yes.

Kunal Vora: And healthcare growth even excluding Pancharishta has slowed down significantly and also like noise regarding Patanjali is also reduced, is there any correlation is like do you think that like natural ayurvedic has again like now going to be subdued like any such trends, which you are seeing?

Mohan Goenka: Not at all, we are extremely bullish on the healthcare side, we are investing, we are investing behind R&D, we are investing behind distribution. Now this has got a long-term future not just two, three, five years I think it has got a very long-term future, so as a company we are extremely bullish on the Zandu healthcare range and we would keep on investing behind it.

Kunal Vora: What is the reason being for the slowdown?

Mohan Goenka: See quarter-on-quarter it is very difficult these are niche products, there has been a lot of disruption at the distribution level, so we cannot really say these are wholesale driven brands it is very difficult to pinpoint just on two, three quarter numbers that the whole trend is reversing.

Kunal Vora: Slowing down.

Mohan Goenka: Yes it does not work this way honestly.

Kunal Vora: Last question receivables have increased a little bit like any comments on that?

Rajesh Sharma: So if you look at the international business performance this quarter that has grown significantly and that there we have 90 days to 120 days kind of receivables hence it has gone up.

Kunal Vora: Understood. Thank you sir.

- Moderator:** Thank you. The next question is from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Thank you so much for the opportunity. Sir just wanted to know your next year capex guidance and secondly sir I just missed out on the number of percentage you mentioned the growth in case of Kesh King in terms of Oils and I believe the other was shampoo?
- Mohan Goenka:** So the capex is maintenance capex, which is roughly about 100 Crores and as far as the growth for brands are concerned for the NRO range it is about 14%. It is already there I think it is in the presentation, but still very quickly I will go through. The men's grooming is about 8%, 7 Oils In One is about 30%, Kesh King is about 6% in which oil is about 11% and pain management is about 13%.
- Kunal Bhatia:** In terms of the depreciation and amortization of assets are the 208 million run rate so where do we see this going forward?
- Rajesh Sharma:** I think this should be similar going ahead. This has gone up this year because of the new plant at Pacharia getting operational so we should see similar rate going ahead.
- Kunal Bhatia:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kaustubh Pawaskar from Sharekhan Limited. Please go ahead.
- Kaustubh Pawaskar:** Thanks for giving me the opportunity. Sir just two questions from my end, so what was the quantum of price increase you took to mitigate the input cost impact?
- Rajesh Sharma:** Kaustubh by and large every year we take about 3% to 4% price increase so this year also it has been in line slightly 0.5% here and there.
- Kaustubh Pawaskar:** And further price increase would depend on how the commodity price momentum would be or you will remain to this kind of price increase and take a hit on the margin?
- Rajesh Sharma:** No I do not see margins coming down as I have mentioned so we are optimist that in the second half prices should soften, but we will have to wait and watch, so let us see we have budgeted the current prices so I am confident we would be able to maintain our margins.
- Kaustubh Pawaskar:** And my second question is on the international business since we have seen recovery in MENAP regions most of the companies are seeing good growth in their international

business so this kind of momentum is it going to sustain or is it something one off kind of a thing?

Mohan Goenka: See if it has done 37% growth of course it gives lot of confidence in the team and people down the line, so we have taken slightly aggressive numbers for international it is not 38 or I think we must be able to do about 18% to 20% growth is what is our understanding.

Kaustubh Pawaskar: Thank you sir.

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

Tejas Shah: Thanks for the opportunity. Sir just one question I logged in a bit late so sorry if I am repeating the question, but your base quarter had 75 Crores of A&P spend, was this net off service taxes or this is including service taxes?

Rajesh Sharma: Yes Tejas last year we were taking some input credit of service tax, but not the entire service tax input was available for usage, so some bit of service tax is included in the advertisement figure last year.

Tejas Shah: So this 20% Y-o-Y growth if adjusted for that will be higher than?

Rajesh Sharma: Little higher.

Tejas Shah: Thanks sir. That is it from mine.

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

Nishita Doshi: Could you just share the direct reach store numbers and the outlook going forward?

Rajesh Sharma: So as per our plan we have crossed 8.5 lakh outlets direct reach this year, so we have added almost 200000 outlets in last two years and the plan now is to stabilize and take benefits of these including direct reach and let us wait for some time, we have not taken any further increase in debt rich outlets, we want to focus on the 8.5 lakh outlets and read the benefits.

Nishita Doshi: So in FY2019 there will be no major increase in the direct reach?

Rajesh Sharma: Yes, not significant.

- Nishita Doshi:** Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha:** Thanks for the opportunity sir. Sir just wanted to understand the margin picture a bit more in detail so what you are saying is that you will be maintaining the EBITDA margin for the next year does it also mean that whatever pressure we will see on the gross margin side will be compensated by the cost savings and operating leverage, which we will get next year is it a fair understanding?
- Rajesh Sharma:** Yes.
- Amit Sinha:** So you are building in some gross margin pressure because operating leverage benefits will be obvious to come if we are growing this much?
- Rajesh Sharma:** Right so looking at the current cost structure we have taken price hikes for next year and apart from that some bit of cost benefits also we are looking at. So more or less we should be able to manage the margins.
- Amit Sinha:** And secondly what would be your rural contribution for the full year number?
- Rajesh Sharma:** For the full year it is slightly higher around 52%.
- Amit Sinha:** And has it gone up in FY2018 or is it broadly remains the same?
- Rajesh Sharma:** By a percent kind of around 51% to 52%.
- Amit Sinha:** Thanks a lot sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Prashant Deshmukh from Bank of America. Please go ahead.
- Prashant Deshmukh:** Just one question. Wholesale you mentioned is more or less flat kind of a quarter and everything else has grown for you at least like 15% plus kind of number, what is happening in wholesale at this stage, we have been hearing that wholesale is normalizing, normalized and then again there is one more quarter where there is no growth, do we see wholesale actually recovering or is it like this is now the new normal and one should expect the growth to be driven by other channel?

- Mohan Goenka:** This one is a difficult one for me to answer; I wish wholesale recovers, so as a company we just cannot completely wait for them to recover that is why we have spent so much of resources on retail and rural and modern trade, e-coms everywhere right, if it at all recovers it is a bonus for all of us.
- Prashant Deshmukh:** So when the sales team interacts with distributors are distributors on their own talking about reaching more and more stores on their own and despite that you are saying that next year there would not be any addition to that, difficult to understand as to what is happening on the ground?
- Mohan Goenka:** This is you are talking of wholesale right?
- Prashant Deshmukh:** Yes I mean see suppose you have like a large contribution from rural and I am assuming that a lot of it would be dependent on wholesale, your growth in modern, retail and e-commerce mostly is not going to help your rural growth and in that context if wholesale does not recover or wholesale remains like go single digit kind of a growth even next year then saying that we would not add any more outlets in direct reach?
- Mohan Goenka:** No, see what we feel that the worse for wholesale is also over, this was a disruption, which was not expected, now from hair they would only grow the problem is not that we can reach more wholesalers because we already reach almost every wholesaler in the country. The problem is if they use to buy 100 cases now they are buying only 50, 60, 70, 80 depending on the market the situations they have reduced their inventory levels dramatically. So whether now from 50 it will go to 70 I do not know and when it will go I also do not know. We are trying to manage that through our retail, through our rural, through our super stockiest channels whatever way we can manage.
- Prashant Deshmukh:** And when you say retail channel just to get a sense what is that exactly modern trade rural is spend, but retail you are saying is this like a direct?
- Mohan Goenka:** Yes the direct retail outlets mom and pop stores.
- Prashant Deshmukh:** Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Abhijeet Kundu from Antique Stock Broking. Please go ahead.
- Abhijeet Kundu:** Thanks for the opportunity. Sir in case of your summer products the winter was a bit extended this quarter despite that you have shown a double digit growth in your Navratna

range and as I said that there have been some erratic instances of rainfall across the country, which could in a way early to a slowdown and May and June could be some more pickups then it could be good, but despite the extended winter you have shown good numbers so at least this number should be sustained right going ahead?

Rajesh Sharma: Yes I think as Mr. Goenka mentioned earlier that if we get good summer in the month of May and June we should be achieving our targets and numbers.

Abhijeet Kundu: But yes double digit growth is a good number?

Rajesh Sharma: Right.

Abhijeet Kundu: And in your male grooming range what would really drive overall double digit growth in this business for you?

Mohan Goenka: So we have not been growing very aggressively on men's grooming the base is also low. The driver is the advertising and also HE is also shaping up now, so both Fair & Handsome Face Wash and HE is what we are relying heavily on. If these two continue to grow then male's grooming would also grow at double digit.

Abhijeet Kundu: Yes Fair & Handsome would be one of the key?

Mohan Goenka: Fair & Handsome Face Wash and HE deodorant.

Abhijeet Kundu: So do you see any because HE has shown a double digit growth, so on ground do you see any better demand growth for Fair & Handsome Face Wash?

Mohan Goenka: The face wash is also doing well. These are important brands so where we are investing good amount of money, so both in the men grooming we have fairness cream, face wash and HE, as I said our focus is more on HE and face wash.

Abhijeet Kundu: The HE and face wash would be a very small component of your overall male grooming range right now?

Mohan Goenka: Yes so we have only grown at also 8% if this cream would have grown then we would have grown much more.

Abhijeet Kundu: Essentially in cream this is the growth would go on at the current levels?

- Mohan Goenka:** Sorry.
- Abhijeet Kundu:** I mean in case of creams the growth you do not see any acceleration in growth going ahead?
- Mohan Goenka:** As I said that we have not been going on the cream side the base is low, so let us see we are investing behind the men's grooming of course we expect cream also to grow at double digits with aggressive advertising, but our focus is more on face wash and HE in the men's grooming area.
- Abhijeet Kundu:** Thanks a lot. That is it from my side.
- Moderator:** Thank you. We have the next question from the line of Gaurav Jogani from ICICI Securities. Please go ahead.
- Gaurav Jogani:** Thank you for the opportunity sir. Sir with the implementation of the intra state e-way bill do you think who is in the wholesale channel we can further go up?
- Rajesh Sharma:** Well we have to see that once it is implemented at the wholesale channels because some bit of disruption may not be ruled out for a shorter period, but by now I think most of the people are streamlining and is getting stabilized, but some bit of minor hiccups may come here and there.
- Gaurav Jogani:** And sir my next question is like what would be the contribution from the new products in FY2018?
- Rajesh Sharma:** Overall the new products, which we launched in last couple of years would be around 3%.
- Gaurav Jogani:** And sir any guidance like going forward how much are we expecting from the products of this?
- Rajesh Sharma:** So we expect similar number 2% to 3% kind of growth from new launches going ahead.
- Gaurav Jogani:** Thank you sir. That is all from my side.
- Moderator:** Thank you. We have the next question from the line of Kuldeep Gangwar from ASK Investment Managers. Please go ahead.
- Kuldeep Gangwar:** You mentioned about that rural revenue share is close to 52% and rural growth had been 15% so does it mean like this 50% share has gone at 15%?

Rajesh Sharma: No this is what we talked earlier was the rural, which we tracked internally because lot of our goods go to rural markets from the wholesale channel also, so that number is difficult to guess at this point of time, so overall contribution of rural is 52% is from the Nielsen data, which we get.

Kuldeep Gangwar: And is it possible to get the breakup according to your definition of rural direct retail and wholesale, modern trade you already mentioned close to 6% wholesale I think 38% you mentioned, so between the rural and retail is it possible to get the breakup?

Rajesh Sharma: No not really.

Kuldeep Gangwar: Sure, no problem thanks.

Moderator: Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities. Please go ahead.

Binoy Jariwala: Thank you for the opportunity. Could you please help me with the sales mix for BoroPlus, Navratna, Zandu, Mentho Plus, Fair & Handsome and Kesh King for the full year of 2018?

Rajesh Sharma: I am sorry we do not discuss the brand wise revenues. We have given the growth data and brand wise numbers we do not discuss.

Binoy Jariwala: Any indicative numbers some range that you could help just to understand the size of each in the whole mix?

Rajesh Sharma: So you will find the market size and market share in our presentations based on Nielsen data so from that you can get the estimated brand size.

Binoy Jariwala: With regards to Kesh King how large would that brand be now within the whole and does it still come under 75% kind of gross margin and 45% kind of EBITDA margin?

Rajesh Sharma: You are right so that margins we are able to generate those kind of margin from Kesh King has given now.

Binoy Jariwala: And how as a percentage of the overall revenue how large would it be?

Rajesh Sharma: It would be roughly 10%.

Binoy Jariwala: Of consolidated revenues?

- Rajesh Sharma:** Yes.
- Binoy Jariwala:** Thank you so much.
- Moderator:** Thank you. The next question is from the line of Prashant Kothari from Pictet. Please go ahead.
- Venkatesh:** This is Venkatesh here. Just wanted to talk a bit more about your comment on not increasing direct distribution for the next year, so the wholesale part has come down used to be 50 odd and now it has come down to 38, but I understand what you are saying that wholesale probably the worst has behind and it could improve, but in terms of a longer-term strategy how do you think about that absolute number of direct outlet still it being less than many other competitors is not there a space for this to increase further and the wholesale proportion come down even further from here?
- Mohan Goenka:** Venkatesh you are right there of course is opportunity on the distribution side, but at the same time you have to appreciate that in this last one year, one-and-a-half years we have added almost 2 lakh outlets. Now we need returns from these outlets to add further. Once let us stabilize these outlets, let us see the return versus the cost, this is our understanding of the data and the return, we would further take plans, but of course distribution is an endless game, but for the time being we are very clear that we would strict to 8.5 lakh outlets and we are happy that wholesale, which was you are right 50% now it has come down to 38% it is in line we want to bring it down further to 35% and it is happening in natural course, so our focus is everything is more on retail and rural and modern trade then more on wholesale, so I think it will come down to 35%.
- Venkatesh:** And Kesh King specific to that how large is wholesale for Kesh King has that come down as well?
- Mohan Goenka:** Yes so Kesh King still we are fairly dependent on wholesale it is still 75% let us see I think without increased focus on retail and rural it should also come down, but it will take time this is our feeling.
- Venkatesh:** But the product nature itself means that it may not come down to your overall company level?
- Mohan Goenka:** No, overall company level it will not come down in recent times.

- Venkatesh:** And what is your latest feedback on competition from Patanjali and the specific products where you have been aggressive they have been aggressive?
- Mohan Goenka:** So our only competition with Patanjali was in Kesh King only, they have a brand called Kesh Kanti. I think I had mentioned last time also that we would grow and we have changed our strategy, whatever we have done we have come back to growth, so we will continue with this strategy as long as we are growing.
- Venkatesh:** Is Kesh Kanti as well growing?
- Mohan Goenka:** I am not aware of that they are growing or not.
- Venkatesh:** That is helpful. Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Sinha from Macquarie. Please go ahead.
- Amit Sinha:** Just one clarification, you mentioned domestic volume growth at around 10% so there was no pricing growth during the quarter in the domestic business?
- Rajesh Sharma:** No, domestic growth was 10% so volume growth was around 8% for domestic this quarter, so 2% pricing was there.
- Amit Sinha:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of Anubhav from AMC Research. Please go ahead.
- Anubhav:** I have a specific question on the Kesh King. First of all congratulations on the recovery in this segment. I wanted to know your views on that what workforce revival in this segment and this category and what gives you the confidence that this is going to sustain?
- Mohan Goenka:** We have changed some mix in our scheme front that for our wholesalers I think that way did a little difference, also of course we have been aggressive in terms of our advertising spends also, so with very targeted approach we have got back to growth, so if this is working then we will continue with this growth.
- Anubhav:** The steps you have taken after that 45% EBTIDA still be maintained for this product?

- Mohan Goenka:** Sorry you are not very clear can you come back?
- Anubhav:** The 45% EBITDA is even after all the steps taken into account?
- Mohan Goenka:** Yes the margins are well maintained.
- Anubhav:** That is all. Thanks a lot.
- Moderator:** Thank you. A followup question from the line of Binoy Jariwala from Sunidhi Securities. Please go ahead.
- Binoy Jariwala:** Rajesh Ji you could help me with how large is this summer portfolio in the overall pipe with us and between summer and winter I believe winter portfolio has enjoy slightly higher gross margin so what is the delta in gross margin between the two?
- Rajesh Sharma:** So the gross margins in winter portfolio is slightly higher you are right and also if you look at the contribution of topline if you look at the first half versus second half topline I think it is 45 - 55 ratio that way if you look at.
- Binoy Jariwala:** But that would also have the other brands right, so summer portfolio could you indicate anything on that front?
- Rajesh Sharma:** No, on topline?
- Binoy Jariwala:** Yes.
- Rajesh Sharma:** Summer portfolio would be roughly around the 30% of overall business.
- Binoy Jariwala:** That is helpful. Thank you.
- Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to the management for their closing comments. Thank you and over to you.
- Rajesh Sharma:** We thank all the participants for joining this call and we also thank Percy and IIFL for arranging this call. Thank you.
- Moderator:** Thank you very much. Ladies and gentlemen on behalf of IIFL Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.