

ANANDRATHI

Emami Limited
Q4 FY15 Results Conference Call

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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY15 Results Conference Call of Emami Limited hosted by Anand Rathi Share and Stock Brokers Limited. As a reminder all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Shirish Pardeshi. Thank you and over to you sir.

Shirish Pardeshi: Thanks Mallika and on behalf of Anand Rathi I welcome you all. It's really a good pleasure to work with Emami Limited, almost now close to 7 years. I am sure you had a chance to look at the numbers and numbers are very exciting and strong. I am also happy to share with you that we have Mr. Mohan Goenka – Director, Emami Limited joined by Mr. Rajesh Sharma – VP, Finance and Investor Relation on the call. So I'll now hand over to Mr. Mohan Goenka for opening remarks, over to you Mohanji.

Mohan Goenka: Thank you Shirish and a very good evening friends. I welcome you all to this conference call on the 4th Quarter result for FY15 of Emami Limited. Our Revenues at Rs. 554 crores in the 4th Quarter grew robustly by 24.2% with volume growth of 13.3% led by a stellar growth in the domestic as well as international business. In the 4th Quarter topline in domestic business grew at 20.5%. Notwithstanding unseasonal rains the company posted a strong topline growth led by power brands. Cooling Oil grew by 14%, Balms including Ultra Power grew by 10%, Boro Plus Antiseptic Cream grew by 43% and Fair And Handsome grew by 9% in the quarter. Zandu Healthcare Division continued its strong run with 24% growth in Q4 led by a 50% growth in Zandu Pancharisht.

In new launches He Deodorant, Fair And Handsome Face Wash, Zandu Balm Ultra Power and 7-in-1 Oil have shown encouraging initial response. These new launches and extensions have contributed around 6% growth to the domestic business topline in FY15.

The international business continued to grow robustly at 48% in the 4th Quarter led by a strong growth in SAARC, GCC and in particularly CIS countries. CSD sales grew by 10.9% during the quarter. Our profit and margins have grown in line with the topline despite high A&P spends which is mainly for new launches. EBITDA at 140 crores grew by 18.9%, Profit Before Tax at Rs. 152 crores grew by 40.9% and Profit After Tax at Rs. 138 crores grew by 24.4% respectively in Q4 over the corresponding quarter in the previous year. Our Gross Margin continued to improve year-on-year with Gross Margin at 64.4% improved by 220 basis points year-on-year in the quarter. Advertising expenses increased by 380 basis points in Q4 due to investments in new launches. We have continued to gain market shares for key categories during the quarter.

Navratna Cooling Oil gained 1320 basis points capturing a volume market share of 72.7%. Balms market share at 56.9% gained by 140 basis points. Boro Plus Antiseptic Cream and Fair And Handsome maintained their market leadership with market shares of 81% and 64% respectively. During FY15 Navratna Cool Oil gained 930 basis points market share with our volume market share at 67.4%. Balms market share at 56.7% gained by 70 basis points. Boro Plus Antiseptic Cream and Fair And Handsome maintained their market leadership with market shares of 80.7% and 64.8% respectively. The company has declared a final dividend of Rs. 3 per share, so the payout ratio comes to around 39%.

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

Moderator: Thank you very much sir. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Shirish Pardeshi from Anand Rathi. Please go ahead.

Shirish Pardeshi: Thanks Mallika. I don't have a question but there are a few questions I have received already from other people. So broadly Mohanji, there are 3 questions people are more wanting to know the details is that how this time is different as compared to **(Inaudible) 06.40** in terms of rural and urban mix and the growth because obviously the growth numbers what you have reported is much different than the other players who've reported the numbers. The second question is on the international front, what has really gone right and where are the scope for further improvement in terms of topline?

Mohan Goenka: Shirish, first the international business, in international business this growth has come mostly from the CIS countries where we have grown by almost 5-6 times, so that has led to a 48% growth in the international business. As far as the company's topline is concerned, we have grown at almost 24% and the growth has come from both urban and rural and it has come across the brands, so mostly the growth has come from rural and modern trade. Modern trade itself has grown at almost 40% in this quarter, so that's where we have got these robust numbers.

Shirish Pardeshi: And on the domestic rural front?

Mohan Goenka: As I said rural has also improved significantly in this quarter particularly for the Navratna basket and for Boro Plus Antiseptic Cream which has led to this growth.

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

- Abneesh Roy:** One follow up on the international, you said CIS is 5 to 6x. In the past we had faced issues in terms of counterfeit and distribution, so are those now behind and what steps you have taken to overcome that?
- Mohan Goenka:** Hi Abneesh. So as we know till last year we were facing issues in CIS and there were some distribution issues so what we did was we sent our International Business CEO who was earlier responsible for the overall international markets to CIS region itself. So he is now based in CIS and he is taking care of these issues and personally being based out of CIS I think he is able to control in a much better way which is showing in our numbers in CIS.
- Abneesh Roy:** Sir, new launches have done exceedingly well for you in FY15. What is the target for FY16 in terms of new launches, how much as a percentage of sales you are targeting?
- Mohan Goenka:** I think new launches should contribute around 5% next year as well in the overall domestic business.
- Abneesh Roy:** When you say new launches 5%, so He Deodorant, She Comfort, Ultra Power, Fair And Handsome Face Wash, 7-in-1 Oil all those are now no more new launches, right?
- Mohan Goenka:** No, that is not the right way to look at that because they have not even completed 12 months kind of most of these brands, so we consider them new launches for next year as well. So these brands plus more new launches which we are going to come out with put together should contribute around 5% of our Revenues next year.
- Abneesh Roy:** Sir, if I see the timelines of these new launches mostly they were in the first half of FY15. After that it has been slower. So one is, out of these 4-5 which have been the laggards and which have done better versus your expectations, that is one. Second is, why the new funnel has kind of dried down so if you could tell us in first half of FY16 are we going to see a step up in terms of new launches, because fair bit of time has now gone in terms of new launches?
- Mohan Goenka:** Abneesh, out of all these new launches the potential ones which have done exceedingly well are Zandu Ultra Power, Fair And Handsome Face Wash, these two have done more than their targets and as far as the Deodorant is concerned it is in the investment phase and we are going to invest behind He and also 7-in-1. We have some issues on the sanitary napkin so we could not invest much last year, but it is a focused brand for this year. We will take the sanitary napkin forward for this year. Plus the new launches mostly in the Healthcare space and also some of the extensions this year, so putting all together we are expecting almost 5 to 6% contribution from all these products because these all are very new brands. As you have rightly said, we have

launched some in 1st Quarter some in the 2nd Quarter also but these need still very high investments. So this will bring in additional 5 to 6% revenue.

Abneesh Roy: Two follow-ups on this, one is in Deo if you see the other companies they are kind of reducing the ad spent and they want first overall the industry to settle down because too many players are there. So in that context are we also thinking on similar lines that let us not be too aggressive in terms of advertising currently, let the dust settle down, let some of the new players kind of exit? Second is could you elaborate a bit more on sanitary because this is a very exciting category and you were supposed to add that distribution synergy benefit especially in rural areas. So what has been the issue here, product and distribution, is the issue with product, is the issue with the distribution, what is the issue here?

Mohan Goenka: As far as the sanitary napkin business is concerned there are no issues now. We are going aggressively this year and everything is in place and also for He Deo we are a new entrant, I don't know what others are doing but as far as we are concerned that remains a focused brand for us. We will definitely invest behind the Deo market or at least behind the brand He.

Abneesh Roy: Sir, my next question in Q4 surprisingly your cooling products have been exceedingly well in a quarter in which it is not a main quarter so cooling talc and both prickly heat have done exceedingly well, so what's the reason behind such an exclusive growth and prickly heat is it base, is it some pipeline selling and cool talc also 26% is well ahead of the category I understand, so if you could elaborate that part?

Mohan Goenka: Sorry, what was your question Abneesh?

Abneesh Roy: Cool Talc 26% growth, Prickly Heat Powder 51% obviously, both are ahead of the category growth especially in Q4 which is not really a main quarter for these kinds of products?

Mohan Goenka: Because of the lower base last year these brands have done exceedingly well. Also there was a big summer push for this year in the Quarter 4, in the month of March. We did not bill much in the month of March last year. So because of lower base you are seeing this growth.

Abneesh Roy: Last question is on the Fair And Handsome, some loss in the market share seems to be there versus the full year number and the growth also on a (-)2% base is 9%. So what is the issue there is it the category slowdown or is it some share loss to the main market leader?

Mohan Goenka: In Fair And Handsome we have maintained the market share, so the market share is almost the same, plus minus 10 basis points.

Abneesh Roy: 80 BIPS below the full year number, 64% in Q4 versus 64.8% in full year.

- Mohan Goenka:** So if I see the full year our market share is almost 65% which was the same last year. So we haven't lost any market share for the whole year.
- Abneesh Roy:** But still growth if you see 9% I think on a base of (-)2, so that is not a growth which your other categories are seeing.
- Mohan Goenka:** Yes that is true because the whole skin-care category is under stress, so the market has not grown so much. The men's fairness cream market that has not grown.
- Abneesh Roy:** And obviously there will be no cannibalization from your Face Wash, right?
- Mohan Goenka:** No, these are two separate categories altogether.
- Abneesh Roy:** I know they are separate categories but usage wise the Indian consumer can be very difficult, so you don't think there is any cannibalization, right?
- Mohan Goenka:** No, not at all.
- Abneesh Roy:** Okay sir, that's very useful. I'll come back if I have more, thank you.
- Moderator:** Thank you. The next question is from the line of Percy Panthaki from IIFL. Please go ahead.
- Percy Panthaki:** Congrats on a good set of numbers. My question is on A&P, this year you have done I think as a percentage of sales about 17.7, almost 18% A&P to sales ratio this year which is the highest in the last five years. So just wanted to understand for FY16 are we going to have a number which is similar to this may be just marginally higher or will it be a little more than that?
- Mohan Goenka:** For next year we are expecting almost in the similar range. We have estimated about 18% advertising spend for next year.
- Percy Panthaki:** Right sir. And in terms of Menthol the spot prices are going up or at least have gone up a little bit. You do have cover, so just wanted to understand two things in this. One is how large are your covers? Are you hedged for almost the entire consumption for FY16? And secondly, what is the trend or what is the driving force for Menthol prices? Why are they going up and where do you see them settling around?
- Rajesh Sharma:** Hi Percy. It is difficult to give reasons why Menthol prices on a monthly basis go up or down. but fundamentally the prices are linked to kind of the crop which comes out and the kind of demand for Menthol is there in domestic as well as international markets. And as far as our policy is concerned; today we are monitoring the Menthol market very closely and based on the

market intelligence and the feedback we have we do book our future Menthol rates at times. It is difficult to give a number how much is already kind of hedged or what kind of inventory we are carrying but it's a mix of both. We take decision to buy on cash or hedge it going forward. But looking at the kind of prices we are today in I feel we should be able to maintain our margins, there should not be any significant impact next year.

Percy Panthaki: And in terms of you said basically the prices are a combination of crop patterns and demand, so have you seen any sort of shortage in the crop sowing etc., which is driving up the price?

Rajesh Sharma: It is a little early to comment on that, difficult to say.

Percy Panthaki: Right. And one more thing, just to get a sense of the underlying traction of the business, if you could just adjust for the pipeline correction that you took in Q4 last year and adjusted for that what would the domestic sales growth have been this year, on a YOY basis?

Rajesh Sharma: I think about 2%- 3% kind of

Percy Panthaki: Okay so basically you are saying instead of 21 it would have been maybe 18 or 19%?

Rajesh Sharma: Yes.

Moderator: Thank you. The next question is from the line of Arnab Mitra from Credit Suisse. Please go ahead.

Arnab Mitra: My first question was on the new launches. I heard you mention that next year also you would expect 5% from new products so that is 5% contribution to growth next year or total turnover would be 5% of that would be these new set of products?

Mohan Goenka: 5 to 6% Arnab would be of the total turnover.

Arnab Mitra: Okay. Why I am asking that is that this year actually you had a lot of help from this 6% growth addition which happened from new brands. Now if that is not going to remain next year and I mean that is going to be a very small number, do you see growth being in that 16 to 18% kind of range that you earlier talked about as your target because these products already have now a base and you will be incrementally growing on that base.

Mohan Goenka: So as far as our topline is concerned, I am confident of doing 16 to 18% growth because these brands have a lot of potential. All of these brands whether it is face wash or sanitary napkin or even deodorant or 7-in-1, so I expect the brands are still very small and they can grow significantly large.

- Arnab Mitra:** Right. And you mentioned in your presentation also that 7-in-1 you have seen some traction there, so if you could just highlight what kind of traction are you seeing there and have you actually backed up the brand with advertising as yet or that is something which will happen in FY16?
- Mohan Goenka:** This remains our focus brand, it's an innovative concept and we are really going to ramp up our advertising for this year.
- Arnab Mitra:** Right. And any market share details? I saw that you have given 11% in the face wash in the male category, so in any of the other categories have you hit at least a 5 share in some monthly exit rates between say He or any of the other segments that you have launched?
- Mohan Goenka:** Not really in any of these segments.
- Arnab Mitra:** Okay and lastly I wanted to understand the pricing growth possible next year because especially with Menthol I think moved up a bit, do you expect 3 to 4 or 4 to 5% price growth to still happen in FY16 overall on the portfolio?
- Mohan Goenka:** Yes. So we are looking at almost in the range of about 3 to 4% price rise for next year.
- Arnab Mitra:** Right. But in that context so there would be some contribution from new brands which will probably grow significantly and then the base business would grow at a lower rate, that's how I would presume you would get to that 16 to 18% that you are looking at?
- Mohan Goenka:** Absolutely, you are right.
- Arnab Mitra:** Okay. And sir lastly on EBITDA margins for next year, how should we look at it? Would you look to maintain EBITDA margins at what you ended this year or how would you look at given whatever is the cost scenario right now?
- Mohan Goenka:** Because the cost is in control and advertising also we are expecting in the similar lines, so I think we will be able to maintain our EBITDA margins for next year.
- Moderator:** Thank you. The next question is from the line of Prakash Kapadia from ialpha. Please go ahead.
- Prakash Kapadia:** If you could give us some insights, as I see the Balance Sheet we have over net cash of Rs. 8.5 billion, so why we are holding the cash? Is there any inorganic opportunity and despite increased profits we have seen lower dividend payouts this year, so any plans on Capital Allocation in the near term?.

- Rajesh Sharma:** So we are looking at some opportunities and let's see how we can....
- Prakash Kapadia:** Okay. So there could be some inorganic opportunities which we are exploring in case they materialize we could utilize them or maybe....
- Rajesh Sharma:** Yes, there is a purpose of maintaining this war chest and we have been paying around 40% kind of payout and this year also if you look at the final dividend the payout roughly comes to 40%.
- Prakash Kapadia:** Okay. And if you could give us some sense given the current slowdown in rural markets, we still believe we can reach our aspiration of 50 billion sales in the next 4.5-5 years kind of a time frame which was our aspiration few months ago which we had shared in media?
- Rajesh Sharma:** Yes sure, so what we have always been maintaining that for the next 3 to 5 years horizon we are very much confident of delivering at least 17-18% kind of a growth rate and this coupled with some of the new launches we have already come out with and the kind of launches we have in pipeline, I think we must deliver these kind of numbers.
- Prakash Kapadia:** Okay, so we are on track to achieve that 5000 crores kind of an aspirational turnover in the next 4-5 years.
- Rajesh Sharma:** So as I said, the average growth would be in the range of 18% kind of and additional growth could come from the new launches, success of some good new launches. That's a fair way to look at that.
- Prakash Kapadia:** Okay. And then Zandu Healthcare what would be the contribution of Pancharishta and Vigorex, they have been doing phenomenally well for us and what are the kind of new products which we are looking at for new launches, because I think last quarter we had hinted there is a far aggressive framework to the Zandu Healthcare portfolio and we were looking at new launches, so how does FY16 and beyond look like and if you could give us some direction there?
- Mohan Goenka:** Well, the Zandu Healthcare range has tremendous potential and we are working on that for new categories in that particular portfolio, so it would depend on the kind of success we get for these new launches but the categories would be very interesting and this gives us great scope for future growth for the company as a whole. Pancharishta is a big contributor to the Healthcare sales as of now, so followed by Vigorex.
- Prakash Kapadia:** Is it fair to say Pancharishta and Vigorex are like 55-60% of that division sales? Is that a ballpark number?

- Mohan Goenka:** Yes around 50% kind of.
- Moderator:** Thank you. The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher. Please go ahead.
- Amnish Aggarwal:** I have a couple of questions. My first question is regarding the advertising and sales promotion spend which has seen a very sharp increase during the current quarter by say around 67%. So can you give us a break-up that how much is a proportion of advertising and how much is a sales promotion in this, this is the first part? The second is that if we look at your new product sales contribution, in Q3 it was 5%, in Q4 it is 8%, so incrementally you have generated 10 crores more of a sales from these new products in the 4Q in comparison to 3Q. So is the new product are they including the CSD products also? And secondly, which product has played in 4Q because the momentum on a Q-o-Q basis is very strong.
- Rajesh Sharma:** So Fair And Handsome face wash has been good contributor, Zandu Ultra Power Balm has also done well. And as Mr. Mohan said earlier the 7 Oils in One has also started getting some traction. So these have done well in this quarter.
- Amnish Aggarwal:** Okay. And sir break-up between advertising and sales promotion?
- Rajesh Sharma:** So advertisement would be almost 80%, 20% is kind of sales promotion.
- Amnish Aggarwal:** Okay. And this number would be uniform throughout the year? Or have we done more sales promotion in 4Q to provide some flip to sales?
- Rajesh Sharma:** No, kind of similar.
- Amnish Aggarwal:** Kind of similar. Okay. And this new product your sales contribution of 8% does it include the new CHD products also?
- Rajesh Sharma:** No, it is all consumer care business not Healthcare business.
- Amnish Aggarwal:** Not Healthcare.
- Rajesh Sharma:** Yes, Healthcare we have not done any new launches till now.
- Amnish Aggarwal:** Okay. You mean to say that in the 4Q all these three products have contributed in additional 10 crores to the top-line?
- Rajesh Sharma:** Yes, kind of.

- Amnish Aggarwal:** Okay. Sir my second question is that there has been unseasonal rains particularly in the month of April and also there is lot of hue and cry on the impact on the rural incomes because of the impact on the crop. So how has the been the month of April for us and do you see any impact on the summer product like your Navratna Cooling Oil or Cool Talc in the first quarter of the current year. What is the crunch trend, any indication which you can share with us?
- Rajesh Sharma:** It is difficult to comment on monthly numbers so, what we are sharing is the kind of long-term growth So on an annualized basis what we see a growth of 16%-18% is achievable so we stick to that number.
- Amnish Aggarwal:** But sir any feedback you are getting from your sales people or the persons on the ground particularly from the rural demand standpoint?
- Mohan Goenka:** The summer seasons has just set in across India so, let us see how the season goes. If it continues for the next two-three months then we will be very happy.
- Amnish Aggarwal:** Okay. And sir finally just one housekeeping question, this year our tax rate is around 18% odd. So what is your guidance of the next year? Will it remain here or is it likely to go up from these levels?
- Mohan Goenka:** Yes, so it will go up to the normal MAT numbers which is about 20%-21%.
- Amnish Aggarwal:** And we are likely to remain there or as now the government is saying that within the next four year it goes 25 so gradually every year for us also tax rate will be going up?
- Mohan Goenka:** Yes so that would depend on the government rate whatever rate they fix.
- Amnish Aggarwal:** Okay. But for us for example for FY-16 it could it be 20-21% and for FY-17?
- Mohan Goenka:** Same rate.
- Moderator:** Thank you. Next question is from the line of Shital Bhat from Catamaran. Please go ahead.
- Shital Bhat:** Sir my questions were more specific on the She Sanitary Napkin brand that we have. Two questions, what are the customers that we are trying to acquire for the She brand? Is it the existing user or it is a new user that we are targeting over here? And two what are the kind of marketing and promotion activities that we are doing here to increase awareness?
- Mohan Goenka:** As the market is growing very fast, the market is growing at almost 18%-19% so, we are definitely looking at new consumers because it is very difficult to move existing consumers.

- Shital Bhat:** What is the type of marketing and promotion activities to increase awareness because if you are capturing the users there is a different kind of marketing that you would have to do it is not like a regular product so, what is the company doing here?
- Mohan Goenka:** Yes, we would be investing a lot in the below the line promotions mostly because as I said it is a little tricky category and it took a while for us to understand the whole category. But now we have robust idea on the category and we are going to do a lot of promotional activities at the ground level mostly BTL.
- Moderator:** Thank you. Next question is from the line of Pritesh Cheda from Emkay Global. Please go ahead.
- Pritesh Cheda:** Just two questions. One, if you could tell us just like you gave the quarter fourth growth, what would be the full year growth for Cooling Balms, Boro Plus, Fair And Handsome, and Zandu and the corresponding revenue side.
- Mohan Goenka:** Yes, the Cooling Oil grew by around 18% for the full year. Balms grew by around 16% and for Boro Plus Antiseptic Cream the growth was around 11%, and Fair And Handsome grew by 15%.
- Pritesh Cheda:** Zandu ethical portfolio and the exports business also.
- Mohan Goenka:** Zandu ethical portfolio grew by 25% and international business grew by 43%.
- Pritesh Cheda:** And what would have been the category growth for Balms in FY-15?
- Mohan Goenka:** Category growth was also similar kind of.
- Pritesh Cheda:** The approximate revenue mix in these five areas? Revenue mix sir, how much is Cooling, how much is Balms, how much is Boro Plus?
- Mohan Goenka:** Individual brand that is just difficult to comment on the brand wise revenues. We do not give brand wise revenues.
- Moderator:** Thank you. Next question is from the line of Akshat from Karvy Capital. Please go ahead.
- Akshat:** Hello sir this is Akshat here. Sir, I just wanted to know this year what is your break-up in terms of urban and rural, that is one. And second, your top-line guidance which you have given, how do you see it on outlook in terms of from will it come better in the first-half or second-half?

- Rajesh Sharma:** Well our contribution from rural and urban is almost equal so equal contribution from urban and rural. And going ahead outlook first-half, second-half it is difficult to comment and if you look at our portfolio it is more seasonal in nature so, we are more season dependent and if the summer season is good our Q1 and Q4 revenues are good and if winter Q3 is becomes good quarter for us.
- Akshat:** So basically I have taken from the rural outlook just now it is looking very subdued so would that impact your outlook in the first-half or something or would it be as you go ahead you look at it?
- Rajesh Sharma:** No, we had seen this outlook for quite some time now and in the given set of things, we are expecting 16% to 18% growth is what we can say. So if the outlook improves then obviously you may see a little better growth going ahead.
- Moderator:** Thank you. Next question is from the line of Farhana Lambe from NVS Brokerage. Please go ahead.
- Farhana Lambe:** Sir I want to know about the pricing strategy. Has any pricing strategy been worked out for the Fravin product which you had said in the last call that some pricing strategy would be worked out and for the Fravin products to be launched in the Indian markets? And my second question is with the robust plan to market the She brand and existingly the He brand is also getting marketed the advertising and promotion cost has increased and also for the marketing of the Fravin products for the launch so how much would the advertising and promotions cost would be for the next year?
- Rajesh Sharma:** Well the Fravin acquisition is targeted towards getting the R&D advantages that particular company has on the organic side. The products are very highly priced so getting them to India or thinking about Indian markets it will take a little more time. And coming to the advertisement, I think last year itself we have spent a good amount on the new launches and hence, this year we should be able to maintain within that 18% kind of A&P spend.
- Farhana Lambe:** Okay. And so the pricing for the Fravin products is not yet finalized I would say?
- Rajesh Sharma:** As of now nothing is finalized.
- Farhana Lambe:** Okay. So now as you said that in the previous answer that you have a robust plan to market the She brand that in addition to the existing marketing and advertising expenses so how much would those be?

- Rajesh Sharma:** So within 18% we should be able to manage. Yes, it is difficult to give brand specific numbers but within the overall 18% kind of spend we should be able to maintain existing as well as the new launches.
- Moderator:** Thank you. Next question is from the line of Naveen Kulkarni from PhillipCapital. Please go ahead.
- Naveen Kulkarni:** And I have a lot of questions. First is on the domestic revenue growth if we adjust for the new product launches we see that the revenue would have grown by around 11%. Is it possible to provide a break-up in terms of volume and pricing? Okay and my second question is on the growth in modern trade. We have seen a 40% growth in modern trade. So is it because of the new product launches which are little more tittered and focus toward modern trade is that a major contributor for the 40% growth that we have seen? And what is the proportion of modern trade in the domestic revenues?
- Rajesh Sharma:** So the domestic growth has been 21% in this quarter and if we take out the new launches also I think it is around 17% growth including Ultra Power. And now coming to modern trade yes, you are right that these new launches which we have come out are helping us in modern trade so the growth in modern trade is robust now because these are modern trade categories; face wash, sanitary napkins or even deodorant kind of portfolio and with these new launches, presently modern trade is contributing roughly 5% to our domestic sales.
- Naveen Kulkarni:** Okay. So we expect to maintain a growth rate of around 17% but can you give a breakup in terms of volume and pricing what would be the pricing component in this year and this quarter?
- Mohan Goenka:** This year we are targeting a price hike of around 3%-4% max so, Yes, balance would be volumes.
- Naveen Kulkarni:** So around 13% kind of a volume would be there.
- Mohan Goenka:** Yes.
- Moderator:** Thank you. Next question is from the line of Ashish from Elara Capital. Please go ahead.
- Ashish Urganlawar:** Sir from your commentary what I understand is all the new product that you had launched in the last nine to 12 months kind of moving towards calling it a success. So any of the new product that you think have not performed to your expectations and may be that you need to rework on those and go to the market again anything of that sort?

- Mohan Goenka:** Well Ashish the one brand which had not done well is Boro Plus Face Wash so where we have stopped investments so we are back to plan board and if we get some good idea or some differentiated idea then we will go ahead otherwise we will stop investments behind that. And second obviously also She brand which has not done as far as our expectations are concerned. So initially we had thought that it will do well with our own distribution network but now we are working on that particular category and we are working on our marketing strategy and hopefully from the end of this quarter we should see some good response in that.
- Ashish Urganlawar:** Yes, sir. But on She had we put the entire weight behind the product in terms of advertising because I do not think compare to what the competitors are doing we have been that aggressive on marketing and probably the product differentiation or the communication was it that different so as to appeal to the new consumers that way?
- Mohan Goenka:** You are right, we have not done that so we are working on our marketing campaign so and we are hopeful after the campaign hits then we should see some good response.
- Ashish Urganlawar:** Okay. And definitely the differentiation is going to be price-led as you has said earlier probably work in this category.
- Mohan Goenka:** Right.
- Ashish Urganlawar:** Correct. Sir just wanted to ask on the numbers, the tax rate this quarter seems to be pretty low so what was the reason for that?
- Rajesh Sharma:** Well there were some dividend incomes on our surplus funds which we had deployed in some mutual funds so where we got the tax benefit and also we had some profits in our Dubai subsidiary which is tax free so due to that.
- Ashish Urganlawar:** Sure. Sir just one more thing on the new launches you said 7 Oils in One you are satisfied with the progress that the brand is doing in your competitive category that is?
- Rajesh Sharma:** Right.
- Moderator:** Thank you. Next question is from the line of Tejas Shah from Spark Capital. Please go ahead.
- Tejas Shah:** Sir just last year when we begin the year you mentioned that our product pipeline in Healthcare division is very strong and visible onto many products in that platform but most of the products this time is launched in the Consumer Care division only. So is that because of rural market not doing well we restricted the launches or there were some other reason for the same?

- Rajesh Sharma:** No, we are working on the Healthcare launches and I think in the next two months you should see some test marketing happening in that particular front.
- Tejas Shah:** And sir on your consumer Healthcare portfolio is that largely rural driven or is that the mix is same as your broader portfolio?
- Rajesh Sharma:** The new launches which we are working upon would be kind of OTC
- Tejas Shah:** Okay. And sir, lastly one bookkeeping question, what is the CAPEX guidance of this year and next year?
- Rajesh Sharma:** Around 150 crores kind of CAPEX we should consider for this year as well as next year.
- Tejas Shah:** This is for your Assam plant?
- Rajesh Sharma:** Yes, Assam plant as well as some IT initiatives.
- Moderator:** Thank you. Next question is from the line of Abneesh Roy from Edelweiss. Please go ahead.
- Abneesh Roy:** Sir in Chyawanprash if you could tell us what has been growth and market share? And what is your way forward in this?
- Rajesh Sharma:** Well Abneesh, we do not see revenue for Chyawanprash in fourth quarter. Fourth quarter is very small for Chyawanprash. So for the full year as a whole we have seen around 12% kind of growth for the Chyawanprash segment and we are seeing good response in the Kesari Jivan and that is the one which we are going to promote along with the other Sona Chandi brand.
- Abneesh Roy:** The international growth FY-16 I do not if you have discussed this already what is the growth you are looking at full year next year FY-16?
- Rajesh Sharma:** International should grow at 20%-25% kind of range in next two to three years.
- Abneesh Roy:** Sir what are your other competitors in hair oil space they are entering Mustered Oil. What is your thought process on this? And could it impact indirectly your own segment because customer is common.
- Rajesh Sharma:** It is not that customer is common cooling oil is...
- Abneesh Roy:** That is the same UP, Bihar customer.

- Rajesh Sharma:** That is fine but still Cooling Oil is a therapeutic segment and it has good amount of cooling property so it is difficult to compare the two I think.
- Abneesh Roy:** In Zandu HCD a lot of three of the banks have done extremely well and I see a huge amount of advertising for four-five of your brands. But on a profitability basis how many these brands are profitable at the EBITDA level?
- Rajesh Sharma:** Well if you look at the HCD portfolios Pancharishta, Vigorex, etc. are kind of the bigger brands which contributes to the top-line and Pancharishta is definitely profitable and has good margins and others are smaller ones which are in the investments phase.
- Abneesh Roy:** When will you start giving market share for some of the HCD segments?
- Rajesh Sharma:** We do not have market share for these segments but some of these brands like Pancharishta we do not have competition in that particular category in a particular format. But for others like Vigorex there are competition but market data is not available.
- Abneesh Roy:** Contract.
- Rajesh Sharma:** Yes, we do not have major data.
- Moderator:** Thank you. Next question is from the line of Ashish from Elara Capital. Please go ahead.
- Ashish Urganlawar:** Sir, I wanted understand I mean in the event of probably slowdown in the off-takes and maybe the RM gains that are there this year may not be there next year. Does it anywhere impact your new launch plans maybe we go slow on them?
- Rajesh Sharma:** The kind of plans we have for our new launches I do not see them getting impacted because of any unforeseen inflation on the raw material side. So we will stick for our new launches at least for the next year.
- Ashish Urganlawar:** Okay. Sir despite anything happening maybe slowdown then still you are saying that the plans are on for that...
- Rajesh Sharma:** Yes.
- Ashish Urganlawar:** Okay. And do you think the new launch portfolio is gross margin dilutive in a sense given the margins that you enjoy as of now are pretty high. Any comments on that side?

- Rajesh Sharma:** Well whatever new launches we are coming out also have very high gross margins, in the range of 50%-55% minimum. So simply speaking it is not significantly anywhere dilutive kind of in the overall scheme of things.
- Moderator:** Thank you. The next question is from the line of Amnish Aggarwal from Prabhudas Lilladher. Please go ahead.
- Amnish Aggarwal:** First being that when we talk about 8% contribution from new products so, does this 8% include Zandu Ultra Power also or is it not included?
- Rajesh Sharma:** Yes, it includes Zandu Ultra Power also.
- Amnish Aggarwal:** It includes Zandu Ultra Power also.
- Rajesh Sharma:** Right.
- Amnish Aggarwal:** And how much would be Zandu Ultra Power out of this 8%?
- Rajesh Sharma:** It is around 3% kind of.
- Amnish Aggarwal:** 3%. So I mean excluding this contribution would be 5% for the quarter and for the full year how were this numbers track at?
- Rajesh Sharma:** Around 2.5% kind of.
- Amnish Aggarwal:** 2.5% for new products.
- Rajesh Sharma:** Right.
- Amnish Aggarwal:** Okay. And Rajesh, the second one is you just said that you had some profit in your Dubai subsidiary where there is no tax. So can you share with us that what sort of operation we have in Dubai and what sort of profits we generate there every year?
- Rajesh Sharma:** Well Dubai is a marketing office for our international business, most of the geographies we export through our Dubai subsidiary so it is a trading subsidiary.
- Amnish Aggarwal:** Okay. And how much profits we generate from that trading activity?
- Rajesh Sharma:** So if you look at Dubai subsidiary it was around 8 crores kind of profits for Dubai subsidiary in this quarter.

- Amnish Aggarwal:** And for the full year?
- Rajesh Sharma:** Full year profits were around 15 crores.
- Amnish Aggarwal:** 15 crores, okay. And this amount will grow in tandem with our growth in the international business?
- Rajesh Sharma:** Yes, kind of.
- Amnish Aggarwal:** Okay. And finally Rajesh, just one thing on She, was there any product issues because we had gone slow on this product after we tried it initially and where are we now have we sorted those issues or was it more on the marketing front. Can you throw some light on this?
- Rajesh Sharma:** No, initially we had thought that we should be able to get some good revenue out of our own distribution channels but then we saw that it is not a push brand. So on the other side, we are working on our marketing campaigns so once that is done I think we should see some good response.
- Amnish Aggarwal:** Have you encountered any product side issue also any feedback on the quality of the product or something of that sir?
- Rajesh Sharma:** No, this is an existing product so quality wise it is very good so there are no issues on quality.
- Moderator:** Thank you. As there are no further questions from the participants I now hand the conference over to Mr. Shirish Pardeshi for his closing comments.
- Shirish Pardeshi:** Yes, Mohanji I have received few questions again. People want to know what is the competition status in UP and Bihar because there are a lot of players rejuvenating their brands and I think there was one part when you highlighted getting with Mustered Oil. So is there competition intensity has really gone up in so called especially in Navratna high market share state?
- Mohan Goenka:** Yes, Shirish, I think it is actually the reverse, we have seen competition coming down that is why our market share is increased so much in both UP and Bihar for Cooling Oil.
- Shirish Pardeshi:** So in terms of Navratna Oil what is the competition our if you can recognize if there is there is any competition who are the player who are now trying to be active?
- Mohan Goenka:** So if you see the market now we have a 70% share and our nearest competitor always has been Himgange and he remains to be our competitor.
- Shirish Pardeshi:** That is in the North.

- Mohan Goenka:** Across India Yes, because he has almost 20%-25% share.
- Shirish Pardeshi:** Okay. The other question I have received is that if you can give us some more detail how Bangladesh is shaping up I mean it is a key international market for you and what are the plans and strategy or if you can decide what benchmark we should measure after one year what are the things going in?
- Mohan Goenka:** Specific Bangladesh it is difficult for me to comment but as I said international business we would be going at about 25% this year has been extra ordinary because of the lower base in CIS, but Bangladesh CIS and even Middle East these remain focus markets and are confident of doing a 25% growth.
- Shirish Pardeshi:** Okay. And the third question is that we are coming out of income tax and the excise benefit so is there big CAPEX which you are planning for FY-17 or so or you will continue as and when it is required?
- Mohan Goenka:** Yes, as Rajesh has mentioned it would be 150 crores for the next two years which is mostly going to be for the new plant in Northeast.
- Shirish Pardeshi:** Okay. So I think we have exhausted all the questions and I really appreciate your time and Rajeshji's time to be present on the call. On behalf of Anand Rathi, I really take a pride saying that we have been in association with Emami and we have continued support and I leave it to you saying that best of luck for the future and next few quarters to come and maybe rural growth what you are getting it should continue. So I think maybe you can close with few remarks if you have?
- Rajesh Sharma:** Thank all that participants and thank you Shirish for organizing this call and thank you Anand Rathi. Thank you.
- Moderator:** Thank you very much members of the management. Ladies and gentleman, on behalf of Anand Rathi, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.