emami limited

31st January, 2025

The Manager
The National Stock Exchange of India Ltd.
Listing Department
Exchange Plaza, Plot No. C/1, G. Block
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
Symbol: EMAMILTD

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

Sub: Transcript of Investor Conference Call pertaining to the Unaudited Financial results of the Company for the Third Quarter and Nine months ended 31st December, 2024.

Dear Sir/ Madam,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Investors' conference call held on 28th January, 2025, post declaration of Unaudited Financial Results (Standalone & Consolidated) for the third quarter and nine months ended 31st December, 2024.

You are requested to kindly take the above on record.

Thanking You,

Yours Sincerely,

For Emami Limited,

SANDEEP KUMAR SULTANIA
Digitally signed by SANDEEP KUMAR SULTANIA
Date: 2025.01.31 15:19:09 +05'30'

Sandeep Kr. Sultania
Company Secretary, Compliance Officer & VP-Sales Commercial
Membership No: A13546

(Encl: a/a)

"Emami Limited

Q3 FY25 Earnings Conference Call"

January 28, 2025

MANAGEMENT: **MR. MOHAN GOENKA – WHOLE-TIME DIRECTOR AND VICE CHAIRMAN – EMAMI LIMITED**
MR. VIVEK DHIR – CHIEF EXECUTIVE OFFICER – INTERNATIONAL BUSINESS – EMAMI LIMITED
MR. GUL RAJ BHATIA – PRESIDENT – HEALTHCAREBUSINESS– EMAMI LIMITED
MR. RAJESH SHARMA – PRESIDENT – FINANCE AND INVESTOR RELATIONS – EMAMI LIMITED
MR. GIRIRAJ BAGRI – CHIEF GROWTH OFFICER – EMAMI LIMITED

MODERATOR: **MR. PERCY PANTHAKI – IIFL CAPITAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Emami Limited Q3 FY '25 Earnings Conference Call hosted by IIFL Capital Services 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 star then zero on your touchtone phone. Please note that this conference call is being recorded.

I now hand the conference over to Mr. Percy Panthaki from IIFL Capital Services Limited. Thank you, and over to you, sir.

Percy Panthaki: Hi, good evening everyone. I'm delighted to host the management of Emami Limited on the Q3 '25 call. I have with me Mr. Mohan Goenka, Whole-Time Director and Vice Chairman; Mr. Vivek Dhir, CEO, International Business; Mr. Gul Raj Bhatia, President, Healthcare Division; Mr. Rajesh Sharma, President, Finance and IR and Giriraj Bagri, Chief Growth Officer. Over to you, sir, for your results presentation.

Mohan Goenka: Thank you, Percy. A very good afternoon, ladies and gentlemen. Thank you for taking the time to join us today for our earnings call for the third quarter and 9 months ended 31st December '24. The macroeconomic environment presented a mixed bag of challenges and opportunities this quarter. Urban demand remained subdued. The urban demand remained subdued, impacted by rising food inflation and cash-strapped retail and wholesale trade.

However, rural demand demonstrated resilience, supported by favorable monsoons and a good harvest. That said, delayed winters hurt seasonal categories, further adding to the complexities of the market dynamics. Despite these headwinds, I am pleased to share that we achieved a robust growth of 8.6% in our core domestic business with volume growth of around 6%. This marks the second quarter this financial year, where our core domestic business has grown in high single digits.

And this is after absorbing challenges in male grooming and Kesh King, which declined by 4% and 10% during the quarter. BoroPlus range demonstrated remarkable resilience, growing by 20% despite delayed and mild winters, primarily driven by strong performance of antiseptic cream. Our healthcare range delivered robust growth of 13%, led by 90% growth in Zandu Care, while both Navratna and Pain Management portfolios grew by 3% each.

After absorbing the decline in revenues by 13% in strategic investments and 3% in international business, our overall consolidated revenues for Q3 stood at INR1,049 crores with a growth of 5% in Q3.

As you would be aware, a significant milestone was the rebranding of Fair and Handsome to Smart and Handsome this month. The new identity will cater to a wider portfolio, emphasizing the brand's holistic approach to male grooming, offering effective solutions for face, body and hair care. We see a tremendous opportunity to address a broader spectrum of male grooming needs for today's dynamic young men. The rebranding is a strategic decision driven by consumer insights that highlight a shift towards individuality, diversity and confidence, focusing on natural skin health among today's young men. With exciting new product launches on the horizon, and Kartik Aaryan as the new face of the brand. We are confident that this refreshed identity of Smart and Handsome as a comprehensive grooming solution will further solidify our leadership in the evolving male grooming market. We also launched Mentho Plus Balm Total in the southern region in December '24, positioned as an aromatic balm, addressing all types of body pain, leveraging the equity of Mentho Plus Pain Balm in the southern region.

On the distribution front, our organized channels continue to strengthen with modern trade, e-commerce and institutional sales, now contributing to 28.6% of domestic business, an increase of 160 basis points in Q3. These channels grew at nearly double the pace compared to overall domestic business. Importantly, this quarter, we continue to deliver profit-led growth with improved margins across the board.

Our gross margins expanded by 150 basis points to 70.3%. EBITDA grew by 8% to INR339 crores, with margins expanding by 70 basis points. And profit after tax also increased by 8% to INR279 crores. In 9 months ended December '24, gross margins expanded by 140 basis points to 69.6%. EBITDA grew by 9% to INR806 crores, and PAT increased by 12% to INR644 crores.

I'm pleased to inform that the Board of Directors have approved a second interim dividend of 400%, translating to INR4 per equity share for FY '24. This follows the first interim dividend of 400%, also amounting to INR4 per share declared in Q2. Cumulatively, we have distributed dividends of 800% equivalent to INR8 per share during FY '24, reaffirming our commitment to maximizing shareholders' return and aligning our dividend payout policy.

To sum up, FY '25 has been a positive year until now with our core domestic business delivering 7% growth, including 5% volume growth for the 9 months ended December '24. We are confident of closing the financial year on a high note. Looking ahead, improving macroeconomic indicators and a sequential revival in demand signals a positive outlook for the FMCG sector.

With the successful rebranding of Smart and Handsome, focused intervention for Kesh King and the anticipated turnaround in our international business, we are well positioned for robust growth in the coming periods. Our unwavering commitment remains towards driving superior performance across all business segments, expanding market shares and creating sustained value through strategic brand building, profitable growth and long-term value creation. With this, I would now like to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Avnish Roy from Nuvama. Please go ahead.

Avnish Roy: Congrats on good volume growth and overall momentum. My first question is on the two segments which have done well this quarter, one is BoroPlus 20% growth and healthcare 13% growth. That's a good number in the current slowdown and late winter also. So is it because of some base effect which is favorable or you have really seen market share expansion or the new product launches, which are doing well?

And would you say that this is something which can sustain within Q4 because winter is still there, and definitely, that should further help because it's a harsh winter, but then it becomes a bit late also in Q4 given when winter will withdraw? So how do you see Q4 for these two businesses?

Mohan Goenka: So, Avnish, yes, BoroPlus growth has been led by the core antiseptic cream, okay, where we have grown phenomenally in double digits, more than 20%. So yes, I would say the base was also low, but even though even at a lower base, growth of 20% was really exciting. Yes, this momentum continues in this quarter also, it looks like, because this month, BoroPlus has done exceedingly well, okay.

So same is for healthcare. Healthcare is also -- for the last few quarters, we are continuously giving double-digit growth and -- which is led by Zandu Care. And this quarter also, we expect a double-digit growth in both BoroPlus and healthcare. So, overall, yes, I think despite of challenges, which I said in my opening remarks, overall, some of the brands have done exceedingly well, and we see a good momentum also in this quarter.

Avnish Roy: Sir, and last question will be on The Man Company. So where do you see the recovery happening? I do understand the overall market there is a challenge. But what are the steps needed here? Will it be more of a base effect when that normalizes then the growth will come or something can be done before the base effect helps you? Could you talk about that?

Mohan Goenka: So, Avnish, we have, Giriraj Bagri, who is our Chief Growth Officer, he drives all the new start-ups and new ventures, The Man Company, Brillare, –etc. so he is also on the call.

Giriraj Bagri: Yes. Avnish, thanks for your question and glad to be on this call. As far as The Man Company is concerned, we are seeing a sequential month-on-month improvement in performance. And going forward, in quarter 4, we expect quarter 4 to be significantly better than quarter 3.

Avnish Roy: But what exactly were the challenges? Was it just a discounting by peers which you have mentioned in the presentation, for example? So is that just because overall urban slowdown is there, that's the reason or there was some any inventory pileup which you had, which is also driving this?

Giriraj Bagri: So there are two or three factors. One factor, obviously, last year, if you remember, we had festivities over 2 months. This time, we had festivities over 1 month, and therefore, all the activities of major platforms were compressed into 1 month. The second factor is that a lot of the businesses moved into quick commerce, and we have also started moving into quick commerce. We were a little delayed in our shift to quick commerce, but we have caught up with the rest of the market by the end of the quarter. So that is the second piece that we see. And obviously, the overall urban consumption, as everybody has been mentioning, has marginally impacted us, but we are seeing a significant turnaround on that at this point in time.

Mohan Goenka: And transition also happened, Avnish. So transition also impacted some bit of it. But now it is in full control, Giriraj has taken full control. Hopefully, things should improve from this quarter.

Avnish Roy: Okay. Thank you.

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

Harit Kapoor: So just two questions. One was on Kesh King. Mohan, I just wanted to get a sense of what changes now you're kind of looking to make in that brand and when -- and if any? And when do we start to see that play out in the market?

Mohan Goenka: So, Harit, we have continuously been mentioning that BCG is on it, okay? You have seen a big change. Fair and Handsome was also not going for some quarters, but we did a significant change in Fair and Handsome. Similarly, Kesh King is being evaluated by BCG. Let them come up with a robust strategy.

Once they come up with that and we start implementing, I'm sure the brand should revive. I think it will take another one or two quarters, but then surely, we'll come with a bang.

Harit Kapoor: Got it. Just one question on that. Do you think it's also a category issue or you think it's more internal which you can solve through the BCG changes?

Mohan Goenka: No, definitely, category issue is there. In the oil, we are seeing. It's not just Kesh King. All the other oils are also somewhere slowed down. So -- see, but we can't wait for markets to -- of course, market is one thing. If they revive, we will get extra benefit, okay? Whatever changes that needs to be done are for the brand.

Opportunities in shampoo and other hair care, there are multiple opportunities, which have been identified. So, as I said, a lot of working is going on. So, hopefully, in the next 1 or 2 quarters, you will see something.

Harit Kapoor: Okay. And on Smart and Handsome, so if you could just give a sense of from going from skin care to overall male grooming, when do we kind of expect this entire rollout in the market? Have we already put it in the market, old stocks out, new stocks in? Could you give us a time line of how we look at it from the next quarter or two?

Mohan Goenka: The transition has happened for the base cream and face wash. So it started about a month back. And now the product that you will see in the market is all Smart and Handsome. In fact, the new advertising has also started from 15th of January for Smart and Handsome. And as far as the extensions or the entire male grooming range is concerned, that we will start rolling out in the next 3 months to 4 months.

Harit Kapoor: Understood. And any changes on the pricing standpoint or the pricing part as well? I think you maintain similar kind of pricing structures for the new launch?

Mohan Goenka: We haven't changed the prices.

Harit Kapoor: Got it. And lastly, Mohan ji, just on this rural versus urban kind of a mix, could you please give us a sense of how -- what is the kind of differential in rural versus urban for you in terms of growth over last quarter or couple of quarters or however you want to kind of quantify that? Just wanted to get a sense of how much faster is kind of rural growing for you, if you could just help us understand that?

Mohan Goenka: So, Harit, the BoroPlus is a mass brand, okay? And the growth that if BoroPlus has grown at 20%, of course, it is driven by the rural growth, okay? And -- so -- and as I said, this month also, we are seeing good growth coming in for BoroPlus and some of the other brands also. Also, Smart and Handsome has revived because of the new launch. So we are seeing -- I would say that at least for us, there has been an improvement in the rural growth. I can only say that.

Harit Kapoor: I will come back Mohan. Thank you very much.

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

Percy Panthaki: Yes. I just wanted to understand the drivers behind the gross margin expansion given that there has been no commodity deflation. Is it a mix effect or have you taken pricing in some of the products? What is the story behind this?

Rajesh Sharma: Yes, Percy. So both the price hikes which we have taken or the realizations improvement, which we have seen during the quarter and also lower input prices on some of the areas and some of the cost reduction initiatives which we have taken, so all this put together has helped us to get this margin expansion on the gross margin front.

Percy Panthaki: Understood. Just a follow-up on that. The pricing that you have taken, is it in some specific categories? And secondly, you mentioned input cost deflation in a couple of inputs. So which are those inputs where we have seen a deflation?

Rajesh Sharma: We have seen some on the packaging material mostly, and also, the pricing is mostly across. So not on the LUPs, but on the larger pack, some bit of pricing and on average 1.5% to 2.5% kind of pricing benefited there.

Percy Panthaki: Understood. Secondly, on Kesh King, we have already, I think, put some initiatives in place to improve the growth. Is there anything still in the pipeline which is pending in terms of initiatives? I understand you might not be able to say what they are because it's competitive in nature. But just wanted to understand if there is anything sort of pending in terms of actions from our side or whatever we had to do we have already sort of put in?

Mohan Goenka: Sure. So, Percy, as I said, we will have to wait for the strategy to be firmed up, then only we can throw some light, because the category size is huge, opportunity is huge, okay? So -- and oil is just one category in the Kesh King. The shampoo is -- plus there are many other categories that we can get into, okay, under this brand.

So that has been worked upon. You will have to wait for another 4 months, 5 months for us to get back. But I can only say a lot of work is going on.

Percy Panthaki: Understood. Steve, we can move on.

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

Tanay: Just wanted you to shed some light on the international business. Are you all looking at new products? What is the reason behind the growth over there and just in environment perspective if you could tell us a bit more?

Vivek Dhir: Good afternoon. International business, we couldn't do much in Russia with a very high inflation environment over there. And that is the prime reason. When we look at the quarter, we had a massive decline in that particular geography. But cumulatively, for the 9 months, still Russia has delivered double-digit growth. So that is one area where we had underperformed in this quarter.

Russia, Ukraine, this business, in this particular quarter, goes up significantly as a contribution to the overall business. And that is where the hurt has been. So, Bangladesh, by and large, has been under control, and many other markets have been under control. So this area due to high interest rate environment, we couldn't extend big credits into the market, which usually operates -- usually that market operates between 60 to 120 days over there.

Tanay: Got it. And how are we looking at this going ahead? Are you looking at expanding products in these segments? What is it like?

Vivek Dhir: Product expansion is happening with respect to different geographies. So we could manage to extend certain MPs in Africa, especially in the East Africa region. GCC MENA region being continue to expand in portfolios of Creme 21 and skin care. Most of them are doing well for us.

Bangladesh, we attempted to expand our leading brand, which is 7 Oils into shampoos as well over there. A little bit of, I think, mixed response, certain pockets of success, certain pockets we couldn't do much -- shampoos in Bangladesh. For bottle, we had clearly fared well over there. So it's a mixed response in Bangladesh. And the political instability with Bangladesh also, we have gone through in launches and investments over there.

We also are very conservative as a business. We were conservative in extending any credit. We all operate on cash in this market. So after national distributor, the market is purely on the cash basis. So that is how we are operating. Still, we have been -- managed to deliver some growth in Bangladesh in this quarter.

Tanay: Got it. But you would see some revival, I think, in the fourth quarter?

Mohan Goenka: Yes. Yes. Almost in last 5 years, 20 quarters, there is 1 bad quarter due to very bad performance in Russia. We have been -- not been able to deliver the growth. But when we look at 20 quarters, we would have decent, and we'll see a good rival in quarter 4, again. We should have good revival in quarter 4. That's more an aberration which is happening.

Moderator: The next question is from the line of Ajay Thakur from Anand Rathi Securities. Please go ahead.

Ajay Thakur: Hi, thanks for taking my question. So I wanted to understand a bit more on the price increases. For the quarter, I believe we have like about a 1% kind of a price increase. So the price increases, which have been taken wouldn't have been reflected in the price increases, which we are there for the quarter. Will that be kind of a right assumption or how is it?

Mohan Goenka: Yes, Ajay, so there have been some price increases, which have happened, which if the sales has happened in this quarter, it has come in this quarter. So not that every product price goes up at one time, some SKUs in some products prices -- it's over a period, so some benefit has come in this quarter, more than 1.5% increase.

Ajay Thakur: So what kind of weighted average price increase can we factor for the coming quarter is what I was trying to understand?

Mohan Goenka: It would be in the range of 1.5% to 2%.

Ajay Thakur: Okay. Secondly, I wanted to also understand a bit more on the tax rate. What would be the projected tax rate for the current year and for the year going ahead for FY '26?

Rajesh Sharma: So, Ajay, for FY '25, I think the current trajectory should be there around 8%, 9% kind of tax rate. And going ahead for next year also, it should be within the range of 10% kind of.

Ajay Thakur: Understood. Thanks. That is my two questions.

Moderator: Thank you. The next question is from the line of Shrish Pardeshi from Motilal Oswal. Please go ahead.

Shrish Pardeshi: Just one broad question. When we look back, most of the FMCG companies -- staple companies are struggling managing the channel conflict, whether it is quick commerce, modern trade, e-commerce. So I just wanted to understand, you have given me a number at

28% contribution. But if you can specify how this channel looks like, the growth, the individual growth.

And how are you managing this conflict? Of course, we have been beneficiary because we have a very seasonality led consumption. But I'm just more interested how you look at it.

Mohan Goenka: So, Shrish, definitely, the channel conflict is not easy to manage because it still exists. And -- but these are emerging channels, so our presence is almost mandatory. Of course, there are different SKUs for different channels. For rural, they have -- yes, it's driven by sachets in modern trade e-com. It is, of course, driven by large packs.

And for GT, it is driven by mid pack. So this is one way of managing the conflicts, but still, there are some packs, which also go in GT and MT, e-com. So there, the conflict is a little higher. We are trying to solve it, but -- we have solved quite a bit, that's why we see these growths coming in, in these channels. So the only way is segregating the packs for individual channels because you can minimize the conflict.

Shrish Pardeshi: Just one observation. I mean, if I believe what you said, the small packs has done better, but they still -- you have shown a good improvement in the gross margin. So is the broad SKU mixes remained stable, standard or it is still tilted towards large pack?

Mohan Goenka: No. See, the margins have also increased due to the mix because BoroPlus antiseptic cream, the growth has been significantly higher, which is a high-margin product, okay? So due to that, we are seeing a significantly high growth in margins.

Shrish Pardeshi: Okay. My next question is to Giri. Giri, speaking to you after many years. On The Man Company, can you tell me how the distribution takes place today after when we changed the hand from the promoters? And which are the channels looks promising? I mean, yes, we know the modern trade is a bigger opportunity, and e-commerce is doing well, but how are you trying to manage the large accounts, say, A class outlets?

Giriraj Bagri: Shrish good talking to you after a while. So as far as The Man Company is concerned, at this point in time, it still remains a dominant online place. We don't have so much of an offline exposure as many of the other brands might have though we are present in EBOs and certain key modern trade accounts. And fundamentally, the way we look at it is that our share of the entire male grooming business is in a low-single digits at this point in time as CSD is concerned.

So from across the channels, I think we have a very significant headroom for growth as far as future is concerned. Now that the transition in the management is complete, and we are now trying to drive the whole business much more aggressively, done in the transition phase. So I think we should see a very broad-based recovery as far as CSD is concerned.

Shrish Pardeshi: Giri, I'm asking this question from the context, about two quarters before when we changed the hand, there was inventory and health issue. I hope that is behind. So my question is that how much TT contribution over next 1 year we can see?

Giriraj Bagri: Currently, the broad split in the business is roughly around about 75% is online, 25% is offline, and offline, all channels put together, including CSD, EBO, a little bit of modern trade and the institutional channels, all of that. I think the ratio will probably be broadly similar as far as the few quarters down the line is confirmed. In the longer horizon, obviously, as we start moving into more of traditional trade, then you may see a mix changing a little more in favor of traditional trade than in terms of new channels.

Shrish Pardeshi: Okay. But inventory should not be an issue going forward. That's what you're confirming? Is it normalized now?

Giriraj Bagri: Yes, inventory is normal.

Shrish Pardeshi: Okay. Last question. Gul Raj ji, congratulations, good number. Can you share how this growth has happened, maybe sub segments, like Zandu Chyawanprash, juices, health cure, maybe Pancharishta, what are the growth rates you have achieved?

Gul Raj Bhatia: Across the board, whether it is health juices, cough syrup and Vigorex, we have had strong growth, including in our Generics and Ethical Medical business. So we had good growths across many of the brands in high double digits. The only challenge has been so far on Pancharishta, where we had a challenge in terms of the growth, basically.

And we are trying to address this issue by way of looking at some new campaigns, both digitally and off-line in terms of regular ATL. We are also looking at modernizing the packaging, the -- and making it more contemporary, more scientific. So besides Pancharishta, all other brands have or all other categories have done well for us, including Chyawanprash.

Shrish Pardeshi: Sir, last year, Pancharishta or maybe after COVID, Pancharishta was a hero product for us. But is there -- can you share a little more thoughts? Is the profile of the customers has changed, and that's why we are struggling or is it that the change, new modern look, something has to be done?

Gul Raj Bhatia: I think it's a mix of everything. So as you said, during COVID, we had seen very strong growth for the brand. And post-COVID, there has been a decline. I think -- so there is a factor of the higher base of COVID, but it's been now a couple of years after COVID. From what I've understood of the industry per se, and I'm not just talking Pancharishta, this format which is called as Arishtha or Asava as checked across companies.

So this whole format is seeing a bit of a pressure in terms of volume growth across organizations, across categories. We also know that some other companies which have large brands in this format are also struggling. So, like I said, there is a certain challenge which we may be seeing from a consumer perspective in terms of the more modern, the more millennial consumer is not wanting to accept it, and we are trying to address this issue also from a packaging and other perspective.

Shrish Pardeshi: Okay. Thank you. Thank you Mohan ji. All the best.

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

Kunal Vora: Just wanted to understand the base effect. Can you highlight some of the base total let's say in the next few quarters you have a high base due to scheduled winter and good summer?

Mohan Goenka: Kunal, sorry, your voice is not very clear. Can you...

Moderator: The current participant has been disconnected. We will move on to the next question. It's from the line of Kartikey Kashyape from IndSec Securities and Finance. Please go ahead.

Kartikey Kashyape: I wanted to understand with the recent acquisition of Sesa by Dabur to strengthen their ayurvedic hair portfolio -- hair oil portfolio, do you see any impact on Kesh King?

Mohan Goenka: Sorry, impact on Kesh King from where?

Kartikey Kashyape: Like Dabur recently acquired Sesa to strengthen their ayurvedic hair oil portfolio. So I just wanted to understand how do you see that?

Mohan Goenka: No, we don't -- we haven't seen any impact of that as yet. The Kesh King category was not going for some quarters. It is to do with the category itself, not just Kesh King category, but the entire oil categories. So we don't see a big threat from that.

Kartikey Kashyape: Okay. All right.

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

Vishal Gutka: Congrats on a good set of numbers. Two questions from my side. On BoroPlus portfolio, sir, what exactly you have done that has led to this kind of growth despite winter being delayed? Definitely, you've changed the packaging, product quality might have gone up by notches ahead and distribution increase might have been. If you can broadly elaborate what you have done that has led to this kind of growth?

And second question is on the ethical portfolio. As per my understanding, from 1st April 2024, insurance policy, they have started covering ayurvedic medicines. So in that context, what are we doing to improve the salience of Ethical portfolio?

Mohan Goenka: Gul Raj, you can answer for the Ethical portfolio.

Gul Raj Bhatia: Sure, sir. So as you know the -- as you rightly said, there has been this move towards covering ayurvedic products in insurance policies. So this obviously benefits inpatient departments in the ayurvedic hospital. We have in generics over the last 1.5 years, tried to improve our presence and coverage in ayurvedic hospitals. So especially in the larger hospitals, we had more regular visits. We are doing more detailing. We are serving more doctors.

And we've not seen much of a direct impact by way of change in the policy in terms of our business volumes. And it's a bit difficult to quantify that also. But as we gradually move forward as the industry accepts it and consumers and patients accept it, we definitely see some upsurge in patients getting admitted to ayurvedic hospitals.

And that's why not only ethical, but even the generics portfolio will benefit because a large chunk of the treatment also was the generic product. But that could be a gradual process. You may not see a dramatic or a sea change happening in the short term for the industry, for the category as a whole.

Mohan Goenka: And, Vishal, as far as BoroPlus is concerned, this was, of course -- I will not say that the season was too bad for us because 20% growth can only happen if there is a good season. So this time, the -- whatever was the season was, it was good, the dry winter, I would say. And we were also aggressive in terms of advertising and some very, very focused approach we took in some key states.

So that also helped BoroPlus Antiseptic Cream to grow in rural markets. We also changed our trade scheme approach this year. So that also helps some bit of it. So it was a combination of good dry skin and very aggressive focused approach in certain markets and change in our trade scheme.

Vishal Gutka: Got it. Thank you sir and wishing you all the best for future quarters.

Moderator: Thank you. The next question is from the line of Nitin Gupta from Emkay Global. Please go ahead.

Nitin Gupta: I just want to know like what is the salience of rural now given that we generate 29% from organized channels?

Mohan Goenka: Yes. So rural would still be -- if you exclude that, if you take the overall business, it should still be about 53%, 54% of the domestic business.

Nitin Gupta: 53% is rural and 29% organized channel and rest will be general trade urban. And when we include -- when we call out 29% organized channel, do we include CSD in this?

Mohan Goenka: Yes, we include the institution, yes.

Nitin Gupta: And any sense like how much CSD would be now for us?

Mohan Goenka: Around 4%.

Nitin Gupta: Okay. And second question is with respect to your opening remarks, and you have highlighted in urban, there's a cash strap in retail and wholesale. Can you throw some light into this?

Mohan Goenka: So see, that has been there since COVID, okay? When the demand cycle is poor, then, of course, you have to extend a little more credit to the trade, so that trend has still been continuing.

Nitin Gupta: And this also has an effect in terms of when we are doing the trade promotion. Incrementally, does the trade promotion looks difficult?

Mohan Goenka: No. So trade promotion is different. It all depends on the focus what you have and it depends on the demand for the product, but there is not much significant change.

Nitin Gupta: Sure. And my last question is with respect to Smart and Handsome and HE brand. So last quarter, we have expanded HE brand offering. And now with the name change, so like how we want to position both the brands? Will Smart and Handsome will focus only on the facial and HE will look after the other male grooming?

Mohan Goenka: Smart and Handsome is a widely distributed product. It's a mass product. It is available in almost 15 lakh outlets. The distribution channels are very different. And so any product that will come under Smart and Handsome will be mass priced.

Nitin Gupta: Yes, understood. In terms of category presence, I was -- basically, I wanted to gauge, will it be facial and like how do you look to extend this to other?

Mohan Goenka: We will extend it to many different categories.

Nitin Gupta: Okay. So HE will be the premium end and Smart and Handsome will be most of the mass product offerings in the similar categories?

Mohan Goenka: The pricing would be different, yes.

Nitin Gupta: Thank you sir. Thanks a lot.

Moderator: The next question is from the line of Rahul Agarwal from IKIGAI Asset Management. Please go ahead.

Rahul Agarwal: Sir, one question was the press release talks about liquidity constraints in retail and wholesale trade channels. Just wanted to get a sense, what has been your experience in the quarter in terms of the channel behavior? Does that mean that the channel filing was actually lower than what it should be, so the growth could have been better?

And secondly -- second part to the question is, how will this ease out? Like do you think this eases out like in 3 to 4 months and then it helps growth ahead? That's the first question?

Mohan Goenka: Sorry, what was the second question, Rahul?

Rahul Agarwal: When does this ease out like do you think there is a timeline to this? Or do you think it's a general problem?

Mohan Goenka: No, it's a -- as I said, Rahul, this is a problem which has been going on since many, many, many quarters. It's not a new problem. Maybe we've just highlighted it in our con call, okay? So that's why the credit cycles and everything has been consistent since the COVID. So at times when depending on your strategy, we may increase a little bit or we are not seeing a room where we are able to decrease it. That's the only thing.

Credit cycles are very consistent, and at times, you may have to increase it. That's it. I don't know when it will improve, I have no idea.

Rahul Agarwal: Got it. So just to quantify this, maybe, Rajesh ji can help, as of December balance sheet, like what is the receivable cycle right now?

Rajesh Sharma: So, Rahul, our receivables would be roughly around 16 days, 17 days which is slightly improved from the last year period or March quarter, but still that's what Mohan ji said is continuing for quite some time now post COVID.

Rahul Agarwal: Got it. And could you help me with the operating cash flow number for 9 months if that's possible? That's my last question?

Rajesh Sharma: So if you look at our 9 months profit is almost -- EBITDA is almost INR800 crores plus and profit after tax would be INR640 crores. So there is not significant capex till December. So I think around INR500 crores, INR550 crores, kind of would be the operating cash flows.

Rahul Agarwal: Got it. No, I was asking was because of tax adjustment, but I get the answer. All the best.

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

Kunal Vora: So you had a soft seasoned quarter. In the next few quarters, you have had a little tougher base with delayed winter last time and harsh summer. So do you believe this growth trajectory which you have right now could be maintained or even improved?

Mohan Goenka: Kunal, see, as I said, we have started with a good note. I don't know how the summer will pan out to be. You're right. We have a good high base for summer products. We will have to wait and watch, but there is significant aggression in terms of new launches in distribution mixes, so SKU launches.

So we will have to see. We can't be bearish all the time. If the market improves, of course, it will benefit us. But the brands, I feel most of the brands are under solid ground other than Kesh King maybe. But, hopefully, we should do better than what we have done in this quarter. That is my expectation at least.

Kunal Vora: Understood. And second one is what's outlook for urban GT now? Because that number seems to be fairly small now, below 20% for you. Is it still viable via distributors? Or are you having any issues retaining the distributors? How is it -- how is the outlook of urban GT from here, especially as quick commerce and e-commerce continues to rise?

Mohan Goenka: No, there is no challenge at all as far as retaining the distributors. So -- sorry, are you expecting anything else.

Kunal Vora: No, I was expecting, what's the outlook? I mean, do you think it will grow, it will shrink? What happens in the next 2, 3 years for urban GT?

Mohan Goenka: So see the channel, of course, does not -- the distribution does not change much, channels may be changing. We may add some basket to our existing distributors even to cover modern trade or e-commerce to make them viable, but nothing significantly changes.

Kunal Vora: And do servicing the retail outlets still viable? Because their sales will keep on shrinking and the kirana sales could shrink. So is it still viable to service the retailers or direct reach could reduce?

Mohan Goenka: No, of course, it's viable to serve the retailers. Business size is also increasing, yes.

Kunal Vora: Understood. Okay. And lastly, bookkeeping questions, goodwill amortization, what should be the number for FY '26 and '27?

Rajesh Sharma: So for next year also roughly INR90 crores kind of amortization would be there, Kunal.

Kunal Vora: Okay. That's it from me. Thank you.

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

Rajesh Sharma: Thank you all. Thank you all for joining our Q3 conference call. And thank you IIFL, thank you Percy for arranging this for us. Good day.

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

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