



emami* limited

7th July, 2020

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

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

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

Dear Sirs,

Sub: Transcription of Investor's conference call held on 29th June, 2020

With reference to our letter dated 25th June, 2020 regarding Investor's Conference Call, post declaration of Audited Financial Results of the Company for the Fourth Quarter and Year ended 31st March, 2020, at the Board Meeting held on 26th June, 2020, we are enclosing a copy of the transcription of Investor's Conference Call.

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

Kindly take the same in your records.

Thanking You,

Yours faithfully,

For Emami Limited,

Ashok Purohit

Assistant Company Secretary

Encl.: As above



“Emami Limited Q4 FY-20 Earnings Conference Call”

June 29, 2020



MANAGEMENT: **MR. MOHAN GOENKA – DIRECTOR, EMAMI LIMITED**
MR. RAJESH SHARMA – SR. VICE PRESIDENT, FINANCE
& INVESTOR RELATIONS, EMAMI LIMITED

MODERATOR: **MR. PERCY PANTHAKI – IIFL SECURITIES**

Moderator: Ladies and gentlemen good day and welcome to Emami Limited Q4 FY20 Earnings Conference Call hosted by IIFL Securities. 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 of IIFL Securities. Thank you and over to you sir.

Percy Panthaki: Good afternoon everyone. on behalf of IIFL Securities this is Percy Panthaki here posting the call for Emami and we have with us Mr. Mohan Goenka – Director and Mr. Rajesh Sharma – Sr. VP Finance & Investor Relations to take you through the Q4 results. So, without further ado over to you Mr. Goenka.

Mohan Goenka: Thank you, Percy. A very good evening, friends. I welcome you all to this conference call on Emami's result for the fourth quarter and year ended 31st March 2020. I hope all of you and your loved ones are safe and healthy.

The current financial year has started during an unprecedented time and millions across the globe have been affected by this COVID19 pandemic and deeply impacting the lives and livelihood of people. The pandemic warranted agility and adaptability to combat the situation while standing in solidarity with our employees, business partners and other stakeholders to ensure safety and precautionary measures for all. The dynamic scenario presented daily challenges which were met head-on by our team to bring about learning to face the new normal confidently. We are happy that as an organization we have been able to use the lockdown period to emerge as a stronger, wiser and united entity to face the future.

Before I talk about our specific quarterly and annual performance, let me first briefly update you on our business operations. During the COVID19 pandemic supply-chain was disrupted from third week of March due to restrictions on movement by various states which came to a complete halt when the nationwide of down was announced by the Government of India during the last week of March. To ensure safety of our employees which was of paramount importance to us, we implemented work from home policy and armed our employees with all necessary IT infrastructure even before the national lockdown was announced. We ensured strict adherence to the government directives during the lockdown and commenced our production only from 10th of April in a phased manner.

As we stand today we have ramped up production across all our units and the capacity utilization is now back to the pre-lockdown levels. The trade and supply chain is also almost back to normal in most of the regions. Keeping in mind the safety and precautionary measures for all we have resumed office with very limited attendance effective from 3rd of June.

During this pandemic our study of emerging consumer behavior and trends revealed increased consumer consciousness towards health, hygiene and immunity. As we learned to live with the

coronavirus that is not going to go away very soon, we also realized that this new consumer trend is here to stay. Accordingly we went over drawing boards to draw up a robust business strategy in sync with the changed environment and decided to expand our personal care and healthcare business in new areas. As a first step we launched a hand sanitizer in April under the BoroPlus brand which is very well known for its strong antiseptic equity. Subsequently we have recently introduced a personal hygiene range under BoroPlus to include an antiseptic soap and hand wash. We also launched BoroPlus Aloe Vera Gel during this period. We ramped up our healthcare portfolio under Zandu brand and launched Zandu Ayush Kwath powder an Ayurvedic immunity boosting Kadha and Zandu Ayurvedic hand sanitizer. Few more immunity boasting and healthcare products are lined up under the Zandu portfolio in Q2 FY20. I'm also pleased to share that we are also coming up with a range of home hygiene products shortly to tap this growing opportunity.

Coming to our results; the summer portfolio got severely affected due to the operations being completely disrupted from the last fortnight of March until the end of April. This pandemic followed by the lockdown as we all know has led to a decline in consumption due to rising unemployment and a significant drop in demand. This also led to a consumer shift towards more essential products like food and groceries affecting the sale of our niche and discretionary products. All these external factors including the impact of COVID led lockdown led to a revenue decline of 17% in Q4 with consolidated revenue of 533 crores. While the domestic business including CSD declined by 19%, international business declined by 4% during the quarter.

During the quarter we roped in Bollywood superstar Salman Khan to endorse Navratna range which will help in extending the product messaging to the masses. As we all know there has been a major announcement last week by few MNCs in terms of fairness creams. Here I would like to say that we, as a responsible corporate citizen, value consumer sentiments and the environment that we live in and take cognizance of the holistic approach that is required to be taken to address these needs. We are in the process of studying all implications currently and would evaluate to take a conscious and very informed decision.

In FY20 we have posted a marginal decline of 1% with revenue at 2655 crores due to our unprecedented Quarter 4 situation. Although domestic business including CSD sales declined by 4%, international business grew by 16% during the year. I'm not going into the individual brand wise performance as those details have been shared in our presentation. But I wish to add that we draw strength from the fact that most of our brands increased market shares. While the traditional channels continued to be impacted in the domestic business we increased our presence in modern trade channel which grew by 26% in Q4 and by 16% in FY20. Contributions from modern trade in Q4 and FY20 also improved significantly to 12% and 9% respectively. Our e-commerce business also grew strongly by 167% in Quarter 4 of FY20 and by 128% in FY20.

The channel has increased its contribution to more than 1% in FY20 from 0.5% in previous year and we plan to double it in the current financial year.

During the quarter gross margins at 65.2% grew by 440 basis points however advertisement spends at 18.6% of sales increased by 310 basis points. The staff cost at 13.5% of sales increased by 290 basis points and other expenses at 14.6% of sales increased by 410 basis points due to lower sales. EBITDA at 99 crores declined by 37% whereas adjusted PAT after exceptional items at 94 crores declined by 22%. In FY20 gross margins at 67% increased by 130 basis points, EBITDA at 690 crores declined by 5% however adjusted PAT after exceptional items at 573 crores grew by 2%.

I would briefly like to update on the cement deal. As you might be aware that Competition Commission of India has approved the acquisition of Emami Cement by Nuvoco, part of Nirma Group and the deal with Brookfield Asset Management of Canada for sale of Solar Power business has been concluded as a part of our basis investment plan of non-core business assets. The finalization of the sale of group cement business is at a final stage and is expected to be completed in the next fortnight. Accordingly we estimate that these disinvestments would lead to a significant reduction in promoter pledge.

We believe that despite these disruptions, market conditions we will stabilize slowly, and we expect demand and consumption to bounce back from Quarter 2 FY20. Rural income are expected to rise due to central government packages for MGNREGA as well as due to good harvest. As we have a higher rural exposure we expect to be benefited from it. Our innovation pipeline is also future ready, and we will undertake a slew of new launches to funnel growth as soon as the market condition improves.

With this brief I now open Q&A. Thank you so much.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Abneesh Roy from Edelweiss.

Abneesh Roy: My first question is on e-commerce, historically pure percentage of sales have been much lower than the larger companies in terms of e-commerce. But in Q4 and the entire year you have seen very good growth and obviously this is pre-Corona, so what has worked here, any particular player, which segments are doing well, what really led to this gain because in terms of portfolio there is not any significant change versus last year?

Mohan Goenka: So Abneesh, now we have touched 1%; As far as e-commerce is concerned and I told in my opening remarks that we are wanting to double it, so what we have done in the last few months that we have focused very extensively on this e-comm by offering good prices, launching a lot of different SKUs for specially e-commerce and we have set up a separate team entirely for e-comm. So whatever small challenges we faced in the past we have overcome all those challenges

and now anyways we all know that e-comm has a very bright future. So we think that we would be able to grow significantly going forward with a lot of new SKUs.

Abneesh Roy: Across segments?

Mohan Goenka: Yes, this is across segments and particularly on big size is because we have launched very different SKUs for e-comm.

Abneesh Roy: My second question is what you alluded just now that Q2 should be better and I understand Q1 also will be very tough, so you have higher indexation to rural and second of course is we are seeing the migrant labor also come back now to the big cities again which it was a problem for you in Q1. So do you see in Q2 good growth coming back for Emami?

Mohan Goenka: Yes, Abneesh that trend is very visible, if we see the numbers of April and May and June, so it is by and large I would say June we have come to the last year numbers and if I compare it to the last 2 months we have grown significantly. So I don't see any reason why we should not grow going forward. Anyway we have a very rural base whether it is in urban or rural and most of our brands they are almost like necessity in some form or the other, so I don't see a challenge going forward from the month of June onwards I would say.

Abneesh Roy: Last question you said cement money will now come soon in the next fortnight possibly, so my question is more structural on the promoter focus for FMCG part of the business. So one is where do you see the promoters take longer term and if possible any time frame and same thing on the pledging medium terms, where do you see that number and because most other parts of your business are anyways sold, does it mean on FMCG now there is a much higher focus and that's why the execution will also be much better than the last 2 years?

Mohan Goenka: This I would say Abneesh that the cement deal is now almost done. We are expecting money anytime in the next 10 to 15 days and it would reduce our promoter pledge currently from 90% to I think about 45% and with further one or two disinvestments we will bring it down to zero. So we are absolutely on the right track and I have always maintained that not that our focus was not on FMCG but yes, once these pledge issues will come down you would be able to focus a lot more.

Abneesh Roy: And promoter's stake?

Mohan Goenka: What about promoter's stake?

Abneesh Roy: It has gone down by 20% in the last 1.5 years, where do you see this longer-term?

Mohan Goenka: No we haven't taken any decision on the promoter's stake. The present state is we want to bring our pledge down to zero. So promoter's stake is anyway 53% that would always stay.

- Moderator:** The next question is from the line of Shirish Pardeshi from Centrum Broking.
- Shirish Pardeshi:** I have three questions; the first question is on the Q4 performance. We have seen a larger decline in BoroPlus and Fair and Handsome and if I go back Quarter 3 commentary we have hired BCG to have a revival in Fair and Handsome but that is not reflected, so could you please highlight what are the reasons these two products have seen highest decline?
- Mohan Goenka:** BoroPlus, Shirish you know the season is not there for Quarter 4, so it doesn't matter much. As far as Fair and Handsome is concerned we are ready with our strategy recommended by them. We are yet to launch the new strategy, suddenly this pandemic came and we have further postponed. Now this name change has come, so it is further delaying the strategy. But I think we are ready with exactly what we want to do with the Fair and Handsome brand. For BoroPlus I'm not worried because as the season we are approaching the season now we would come back to our growth.
- Shirish Pardeshi:** But is it something to do with the international business which has declined because BoroPlus is also sold in a large quantity in Russia and other parts of European countries?
- Mohan Goenka:** No, these we are talking of the Indian numbers and international if you will see we have grown healthy. In FY20 our growth has been almost 16%.
- Shirish Pardeshi:** My related question on Fair and Handsome, we have seen that competition is going away with Fair word Fairness and these all things, so is there any compulsion or regulation which is passed by Indian laws that you need to take out these Fair word from your Fair and Handsome.
- Mohan Goenka:** No, there is no regulatory requirement that we have to get away with the word fair.
- Shirish Pardeshi:** Because what I'm saying that till the time if there is no law we will always get benefited from the competition because Fair and Handsome or even BoroPlus is very strong brand in the industry.
- Mohan Goenka:** I have told in my remarks that we are evaluating the pros and cons. What needs to be done we will take a call in few days.
- Shirish Pardeshi:** My second question is on ATK we have hired for cost improvement and optimization in the supply chain; will you be able to quantify what kind of benefit we will draw in FY21?
- Rajesh Sharma:** So we have quantified that series, hopefully in FY21 we will get the benefit of roughly about 50 to 60 crores in this year.

- Shirish Pardeshi:** Any thoughts on international business, how we can see this because obviously even international will have a similar COVID challenges in terms of lockdown? But how do you estimate next three quarters and if you can give some color on international?
- Mohan Goenka:** International in this quarter I think at least in the first quarter what I see is that it is slightly more hit than the domestic, though in the June month we have got good amount of orders from the international business also, so things are picking up very-very fast. Hopefully I think by the year-end because we are also launching a lot of new products under the brand Crème 21 in a lot of geographies so keeping everything in the mind we would be able to sustain last year numbers for international business.
- Shirish Pardeshi:** You mean to say FY20?
- Mohan Goenka:** Yes FY21, whatever numbers we have done this year for FY20 we will be able to do next year because first quarter would be a decline, so will be able to make up in the last three quarters.
- Shirish Pardeshi:** Said you are seeing the business will come back to FY20 level?
- Mohan Goenka:** Yes because June we are seeing a significant jump.
- Shirish Pardeshi:** My last question is on raw material prices. I see that directionally we have got benefit in Q4, so would you have some guidance on FY21 what kind of inflation you are seeing in menthol and other packaging material?
- Mohan Goenka:** All the packaging material and menthol is favorable, and we are for the seeing expansion in gross margin by at least 100 basis points.
- Moderator:** The next question is from the line of Harit Kapoor from Investec.
- Harit Kapoor:** Few questions from my end, firstly your thoughts on innovation you spoke in your opening remarks about a slew of things which you are planning to do going forward as well as home hygiene that you are looking to launch. So on that I just wanted to get a sense that what do we expect going forward in terms of each product as well as home hygiene do we look to do it under the current brand umbrella or the separate brand?
- Mohan Goenka:** So we will come out with that Harit very soon because we are working on finalizing the strategy now and we have already finalized it but once we come nearer to the launch will come out with the presentation. It would be a new brand; it is not under any existing brand.
- Harit Kapoor:** Second question was on the Hair Oil as a category, the oil category specifically for Navratna as well as Kesh King, if you look at there is a thesis that high price point products in the current environment specially in value-added hair oil space could see some stress going forward, so how

do you kind of read into that? Do you think the same apply for 7 Oils in One and Kesh King as well or in the market are you seeing a different trend?

Mohan Goenka: Harit as I said that see till from almost 15th of May we are seeing a very normal sales as far as Navratna is concerned or even 7 Oils in One is concerned. Anyway you know that our small pack sales are very high contribution to Navratna, so we are not seeing any pressure or a huge consumer shift or trends going against any of these brands. So there is no need for us to change anything. It is a seasonal brand, unfortunately we lost out on season. The peak season got impacted on Navratna, so that we can't get back. But honestly going forward I don't see it would have any impact.

Harit Kapoor: Last question on rural versus urban trend given that you have a strong sale into rural, are you already seeing this divergence in growth between Tier I, metro towns and smaller towns, is that something you are already picking up from on the ground?

Mohan Goenka: Yes, absolutely there are trends where we see that the sub-stockiest in small towns the growth is slightly higher than the urban towns because there is a lot of big towns anyway there are sporadic cases of lockdowns and wholesale markets still not functioning in some markets, so because we have a very strong rural coverage we could manage our numbers from May 15th onwards. And as I said June is almost like we are crossing our last year numbers, so if the trend continues like this I don't see a cause of worry going forward because our consumer base is very- very widespread.

Harit Kapoor: From a distribution touch point perspective number of outlets that you service, what percentage of that are bad contract is it 90%-95%, are we close to erstwhile levels in terms of GT servicing outlets, MT and e-comm I can understand but from a GT perspective are we almost there in terms of pre-COVID levels or just wanted to get a sense on that?

Mohan Goenka: No we haven't reached those levels because just to bring things to perspective like we have almost 2300 sales people on the field, presently we are working with about 1900 or so, so some areas where still people are unable to visit the markets, so we are touching almost 75% to 77% of our outlet base. But the major outlets which gives almost 90% contribution there we are servicing because you also know that suddenly we see a lockdown in Chennai or a lockdown in Assam or a lockdown in some place or the other, so those are the places where we lose some bit of business. But we are trying to make of that business through some wholesale markets also.

Harit Kapoor: Wholesales would be at affected in the current context?

Mohan Goenka: Wholesale is impacted but because we are unable to reach out to every outlet ultimately we have reached to the wholesale only. So we have seen some demand like in the month of May we didn't had a single person visiting the markets, but we could do significant business, so it was primarily

to the wholesale channels. Same is also for June as I said we haven't reached to every outlet. So we still have to depend significantly on the wholesale channel.

Moderator: The next question is from the line of Prakash Kapadia from Anived PMS.

Prakash Kapadia: On Zandu which are the geographies where we've test marketed, I guess these would be more urban audience targeted and when do some of these newer products be available pan India? What's the timeline for FY21 because Zandu is one of the very strong brands and in your opening remarks you did mention about the entire immunity building portfolio, so what's the plan for FY21?

Mohan Goenka: So plan is very clear, we are coming with a lot of a new offerings under Zandu because I strongly believe that post this pandemic Zandu has a significant role to play and we have identified a slew of products under Zandu. We would be launching all these products pan India because we have a very strong distribution across India. So there is no question of test marketing any of these products. The products are very well tested in our R&D, a lot of products we had been working for many quarters, so I think this is the best time to launch every product and not delayed any further. So every month by month or every fortnight we would be launching lot of products. These would always be niche products but very- very relevant post-COVID times.

Prakash Kapadia: And these would be available and the positioning would be urban, right?

Mohan Goenka: Sorry, the positioning would be?

Prakash Kapadia: More towards the urban consumer rather than rural.

Mohan Goenka: Prices are slightly higher, if the need is in rural people would always buy it. It is not like people don't buy Chyawanprash in rural areas or they don't buy Pancharishta in rural areas. There's nothing like urban or rural portfolio. Wherever the need would be people would buy these products and Zandu is a very well entrenched brand in urban and rural both.

Prakash Kapadia: So over the next 2-3 years we could see far more increased contribution to overall topline from the Zandu portfolio right?

Mohan Goenka: It looks like because we're launching a lot of products in that side.

Prakash Kapadia: Amongst other power brands, which do you think would end up in positive growth trend for FY21? I'm not talking of next quarter or Q2, so based on our internal assessment, which other power brand you think will end up being positive for the year?

Mohan Goenka: So see I think pain category is doing very well in this period. The best performing brand from our side has been the pain category. And now every brand has started performing to the pre-

COVID levels. Whatever business is lost I think is lost other than any brand which has slight challenge I think it is still Fair and Handsome where we need to completely re-launch. Other than that I don't see any challenge in any of the brands. The only challenge is the first quarter that's it.

Prakash Kapadia: And lastly one question for Rajesh, out of the 192 crores amount on buyback, how much is already spent or the average cost per share whatever it is available, or you could share?

Rajesh Sharma: So we have already spent roughly 150 crores.

Prakash Kapadia: This would be a day or two days ago.

Rajesh Sharma: Yes.

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

Tejas Shah: Many companies are using this crisis to reboot the whole cost of shares, deal of the distribution layers, management layers. So are we doing any structural changes on how we do the business on any of these aspects or any other aspects plan at all?

Mohan Goenka: This is as ATK is helping us in the cost reduction measures, I think we have been very aggressive not just because of the pandemic but even before that because this project is going on for last 6-7 months now and we have identified a lot of areas where we can save cost. I also said that at least I'm very sure that 50 to 60 crores benefit would come in this year only on the cost front. So I don't think we have left a single area on the cost side. I can't really detail out the projects or in detail whether it is supply chain, IT or operations or sales it is every area we have covered.

Tejas Shah: Similarly on topline sides if we see the last decade for Emami we had a fabulous first half of the decade then post demonetization things went downhill for various macro or micro reasons. So now obviously we spoke about a lot of launches in Zandu and many other launches of variants and on the existing portfolio, these are good initiatives but beyond this intervention are we working with any 3 year, 5 year plan to get back on track and cover up the lost ground that we would have lost in last 2-3 years in particular?

Mohan Goenka: Absolutely Tejas, I think we have worked very hard during the last two quarters; one is on the cost side and on the new launches. Post pandemic you would realise that in the last 120 days we have almost worked on at least 40 to 50 products, new lines. Our R&D has been working 24X7, our marketing department, everyone has been working almost 24X7 and we are launching these products. Some of the products we had not even envisaged before the pre-COVID levels and now are launching these products. So definitely there has been lot of aggression from our side and somebody asked also on the management, now we are putting all our efforts on ensuring Emami gets back to the growth levels at least a double-digit growth level. With home and

hygiene with a lot of Zandu products I think you'd also run with soap and hand washes and with lot of those products we would reduce some bit of our seasonality concerns also. This is also in our minds. So, I think we are on the right track, that's what I think. Let's see how the market accepts these products.

Moderator: The next question is from the line of Soniya Varnekar from Equentis Wealth Advisory.

Soniya Varnekar: I have two questions; one is on the pledging, you said that we are looking out for more one could disinvestments and then the pledging will be zero. Do you have any timeline for this? That is the first question. And second is on the capacity utilization, you said that we have reached pre-lockdown levels. Can you share the numbers at what percentage?

Mohan Goenka: So when I say production, so we have almost reached what we were at pre-COVID levels. If it was 100 we have reached 100 because all our factories are running full capacities now as per the demand. And as far as the pledge issue is concerned you can see the intent; we have been maintaining this for the last one and a half years that we would bring down our pledge and we would divest some of our loan for businesses and we have done also. Cement I'm very vocal in the next two weeks you would see that, some of our other businesses I think because this lockdown happened otherwise we could have done some more but max to max I think by March I think we should see our pledge levels to almost zero. Either it would be through land sale or some of our other businesses. So promoter is very clear that the pledge has to come down to zero.

Moderator: The next question is from the line of Shubham Agarwal from Centrum Broking.

Shubham Agarwal: Just a continuation on the earlier question that was asked I just want to understand your capacity utilization is about 100% right now, we were also talking about significant number of new launches coming through. So, do we have a robust CAPEX plan in the current year? What will be the CAPEX ideally 2-3 years?

Mohan Goenka: No, most of it is third party manufacturing because these products were not planned. We are outsourcing them and when I say capacity utilization is 100% in the sense of course we have much more capacity but if our demand was and we were producing 100 before, we are now also producing 100. But the capacity is far more to produce. We always have a 30%-40% buffer everywhere. But for new products it is mostly outsourced.

Shubham Agarwal: And you also mentioned that you touched last year's sale. Is my understanding correct that we've touched last year's sales in spite of touching this 75% of the POS, products are placed at 75% of the POS because we are working with less capacity, 1900 sales people are against 2100 that you generally work with?

- Mohan Goenka:** Right, so when I say that I mean that in the month of the June we have reached our last year's numbers, okay. Because April was very low, in May we picked up and then June we are almost at last year's numbers and still our entire frontline people are not in the streets. But 90% of our outlet coverage we have almost reached which gives 90% coverage.
- Shubham Agarwal:** 90% coverage till 100% almost there at pre-COVID level of sales of last year's comparison, year-on-year, right. Then just continuation to this only actually Navratna declined 12% in Q4 FY20 as a result of lockdown I'd say and has there been inventory filling in Q1? which would have helped us reach the cap. Has there been inventory filling in Q1?
- Mohan Goenka:** No there is no question of inventory filling in any of the brands.
- Shubham Agarwal:** Because we wouldn't have been able to place our products in Q4, that's what I am thinking, it would have been compensated in Q1, is my understanding correct?
- Mohan Goenka:** No, see demand only started coming in post the lockdown was lifted. So we are being very cautious because we are not wanting to increase our number of days of inventory at the distributors' level. So inventories have not gone up, to be very precise.
- Shubham Agarwal:** Our short-term loans and advances have increased by about 600 million, it is significantly above our previous levels of loans and advances; from about 29 million last year and it's been in the range of 40 million in the past 5-7 years. Anything you would like to call out why is there such a significant increase in loans and advances, short-term?
- Rajesh Sharma:** Yes Shubham?
- Shubham Agarwal:** So there's been an increase of 600 million of short-term loans and advances. Just wanted to get a sense of what contributed to this because its significantly higher than what it has been in the past?
- Rajesh Sharma:** It is towards short term loan which is outstanding in the month of March. It was for short-term parking of funds and post the balance sheet date, we have received the amount back from there.
- Moderator:** The next question is from the line of Amit Sinha from Macquarie.
- Amit Sinha:** Firstly on the cement business deal; last quarter in the earnings call you had run us through the details of deal and as and how much money you will be getting and how much will be the loan against the promoters after the deal. So just wanted some of those numbers while you have obviously outlined that the pledges will come down to 40% to 45% odd but just wanted some absolute numbers if you can?

- Mohan Goenka:** Amit, numbers have not changed since last time, so the number stands the same whatever I said in the last quarter because we have not renegotiated the deal.
- Amit Sinha:** No, absolutely but the overall loan against the share that has also remained the same? I just wanted to get that number.
- Mohan Goenka:** It remains the same, it has not gone up Amit.
- Amit Sinha:** Secondly on the input cost scenario, how do you see the raw material prices as of now and...
- Mohan Goenka:** I have already answered this Amit, I think you missed it out. We are seeing the expansion of about 100 basis points next year; costs are all in well under control. Menthol prices have also come down and also other raw material packing material cost.
- Amit Sinha:** Sorry I may have missed it because I joined in late. Last question from my side is when you say this 50 to 60 crores savings which you expect in FY21, does it also include savings on the A&P side, is there any particular saving we are targeting on that side because of renegotiating of rate and other?
- Mohan Goenka:** It is not on the reduction of advertising because some brands we have reduced in the first quarter but it is yes, the rates for advertising has come down which we have calculated.
- Amit Sinha:** One last thing, Kesh King I see there is a market share gain. Just wanted to understand how is the competitive intensity there, are you seeing prospects of further market share gain in that product?
- Mohan Goenka:** Kesh King, it remains where it is and this quarter also we are seeing the brand has bounced back to the pre-lockdown levels in the month of June. Of course I would not say that the growth has come back, so going forward this is of course a very important brand for us. We are launching some of the small SKUs in Kesh King Shampoo also in this quarter. So hopefully we would be able to achieve our last year's number for three quarters, that's what it looks like.
- Moderator:** The next question is from the line of Shirish Pardeshi from Centrum Broking.
- Shirish Pardeshi:** I have two questions, one is that Mohan ji just wanted to understand you have launched Boro Plus hand sanitizer and we also see that, presentation says that you have Zandu Ayurvedic Hand Sanitizer. These two hand sanitizers are in what strategy, where do you think this is going to penetrate?
- Mohan Goenka:** Shirish, firstly I would say we don't need any strategy to launch sanitizers. It is almost given, so Zandu because we strongly believe that Zandu has a far more stronger brand equity in South than compared to BoroPlus. So we have launched it particularly for the Southern markets where

Zandu enjoys a better reputation than BoroPlus and sanitizers as I said is extended now to every brand has extended into sanitizers.

Shirish Pardeshi: What I was trying to say that Zandu has always the health plank and this is very strong equity in rural, so from that sense I was expecting...Would it dilute the equity, that's what my?

Mohan Goenka: No, I really don't feel it would dilute any equity. We are not sure how longer, how many years it would last but for short term it is absolutely essential.

Shirish Pardeshi: Can you give some thought that how big is now healthcare and may be what I am trying to understand is that yes you have displayed and said lot of new product launches. So what kind of number you have in mind contribution from new products in FY21 because you seem to be optimistic that the loss of sales which has happened in April-May against 8 months operation you are saying that you will cover for 12 months.

Mohan Goenka: Yes, if I see all the brands with the new offerings, we expect at least 3.5% to 4% contribution from new launches.

Shirish Pardeshi: And does it mean that you will have to spend more on advertising and margin may not occur in FY21 but FY22 there will be some improvement in margin for new products?

Mohan Goenka: Not really, see basically the Zandu or whether it is sanitizers we are not going to invest much money behind them. It would ride on the brand Zandu. Of course on Home Care we have to spend some amount of money but we would be able to save significant amount of money on our existing products. So I don't see any pressure on margin because we would lose on turnover in the first 2 quarters and there are a lot of fixed costs attached. So we are trying to make up every cost by launching a lot of new products and also, I think the need of the consumers are changing where Emami can play a significant role. So looking everything into mind I think we have identified some areas and opportunities. As I said, see ultimately the consumer will respond to whatever we do. We have to just wait and watch but yes, company is getting aggressive for sure and I don't see any pressure on any margin and nothing at all because cost is well under control, we have taken a lot of cost measures, we will save a lot of money everywhere and put some money behind advertising.

Shirish Pardeshi: In the new product launches are you going to introduce Creme 21 in India?

Mohan Goenka: We haven't decided on bringing in Creme 21 in India. Creme 21 is doing exceptionally well in some global markets; we have also launched a lot of products under the brand Creme 21 but yes as of now we don't intend to bring it into India.

Shirish Pardeshi: Are you planning to get into any new category because I see you have gone into soaps now?

- Mohan Goenka:** So that is an extension of BoroPlus, I mentioned Home & Hygiene is a big range. Zandu we are launching a lot of new products. For e-commerce we have identified a lot of new areas, we would launch good amount of products only for e-comm.
- Moderator:** As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Rajesh Sharma:** Thank you Percy, thank you IIFL and thank you all the participants for joining us today for our results con-call. Thank you.
- Moderator:** Thank you. On behalf of IIFL Securities that concludes this conference. Thank you for joining us and you may now disconnect your lines.