



Ghar ghar mein... **emami***!

(Emami, a household name)

Emami Limited | Annual report 2007-08

Corporate

Chairman

Shri R.S. Agarwal

Managing Director

Shri Sushil Kr. Goenka

Directors

Shri R.S. Goenka

Shri Viren J. Shah

Shri K.N. Memani

Shri S.K. Todi

Shri S.N. Jalan

Shri K.K. Khemka

Valdya S. Chaturvedi

Shri Mohan Goenka

Shri A.V. Agarwal

Shri H.V. Agarwal

Company Secretary & GM-Legal

Shri A.K. Joshi

Auditors

M/s S.K. Agrawal & Co.
Chartered Accountants

Bankers

Canara Bank

ICICI Bank Ltd.

State Bank of India

The Hongkong and Shanghai Banking
Corporation Limited

Registered Office

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Works

Kolkata

Pondicherry

Guwahati

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One choice.

emami



Joint promoters' statement

“A presence in every house,
a recall in every mind –
'ghar ghar mein Emami' –
has been our driving
inspiration since inception”

Joint promoters Shri R.S. Agarwal and Shri R.S. Goenka, highlight the
Company's direction and potential

Dear Shareholders,

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There are a number of numerical parameters that one can use to demonstrate that we performed creditably during the financial year 2007-08, but the one that stands the test of industry, analysts and company is our performance compared with the broad industry average. For instance, the broad FMCG industry in India grew at a CAGR of about 6% in the last three years; Emami grew at a CAGR of 25%.

This stellar performance sends multiple messages that merit attention: first, we managed the variables affecting our business better than most of our competitors; second, we ensured an enhanced brand recall of our products over most competitors; third, we captured a market share across products and geographies faster than most of our peers.

The industry opportunity

Shareholders will be curious to know the secret of being able to showcase

another year of our successful growth.

Our performance improved significantly as 2007-08 was a good year with our topline and bottomline growing by 13% and 41% respectively. We feel that there was a sustained growth in per capita income, riding on the ripple effect of India's economic growth which benefited a bigger concentration of households. As there was a perceptible increase in people's aspirations and purchasing power, our advertising and brand positioning influenced consumers in switching loyalties.

It was hardly a surprise that about 35% of the offtake for FMCG products was derived from rural India, which is traditionally discounted on the plea of poor purchasing power. The consumption of FMCG goods in these pockets grew 17% in the first 10 months (April-December) of 2007-08 [Source: FICCI], one of the highest levels of growth in any financial year.

Emami and growth

While apparently it appears that 2007-08 was tilted towards the industry, the fact remains that we confronted the biggest challenges in terms of an unprecedented increase in the cost of raw materials, a strong price-sensitivity across most product categories, a greater need for wider and deeper distribution to reach customers and the ever-lingering threat from counterfeit and unorganised products.

If Emami outperformed the broad FMCG sector, it was due to various reasons: we accelerated innovative application reflected in the launch of new products and sub-products; we engaged Ernst & Young to leverage enhanced value out of our supply chain, sales, distribution and human resource capabilities; we embarked on an investment in a new plant at Abhoypur in an investor-friendly location; we installed SAP across our factories and offices for quicker



information access and decision-making; we appointed various departmental heads; we strengthened our packaging; we reinforced our marketing and branding in the GCC (Gulf Cooperation Council) countries, Russia, CIS, Nepal, Bangladesh and Europe; we reinforced our brand recall through celebrity endorsements; we did precious ground work for entering product categories like baby care, hair care, new skin care innovations and food. Concurrently, we reached deeper into India through prudent distribution networking with a larger field force, the opening of depots and the appointment of executives with product management responsibilities right down to towns with a population of 10,000.

Emami and value

At Emami, during the year, we focused on enhancing shareholder value through organic initiatives, as discussed; business diversification and inorganic expansion.

During the year under review, the Company created a Realty subsidiary, which will leverage resident Group experience in real estate, resources and insights to capitalise on opportunities, create landmarks and enhance organisational value.

In May 2008, we acquired a substantial stake in The Zandu Pharmaceutical Works Ltd., the respected ayurvedic and health products company having brands like Zandu Balm (45% market share), Zandu Special Chyawanprash, Kesri Jeevan (10% market share), various other ayurvedic and ethical products, strong marketing, research and operating efficiencies.

These developments underline our ability to capitalise on industry opportunities with speed and extend to sectors that represent a stable long-term potential.

Outlook

A presence in every house, a recall in every mind – *ghar ghar mein Emami* –

has been our driving inspiration since inception. To fulfil this objective we took major initiatives in selling and distribution, aggressive brand promotions, new product developments, quality excellence, expansion and diversification.

This reality is further reinforced by Emami's universal brand strength: it addresses the growing needs of the entire family from toddlers to children to adolescents to the middle-aged to the aged gentry across urban, semi-urban and rural markets. Our products have been created for users in India and 60 countries across the world. It is for these reasons that we will continue to enhance value for all the stakeholders of our Company.

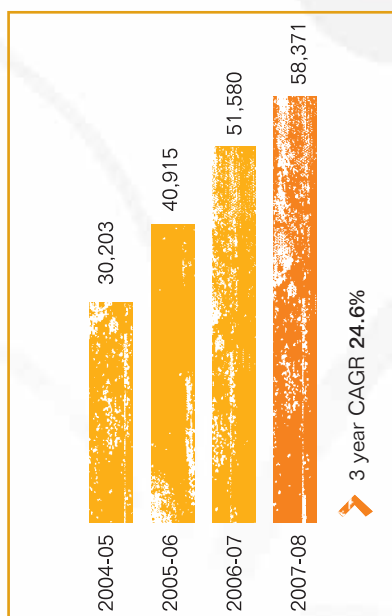
R.S. Agarwal and R.S. Goenka,
30.05.2008 *Joint Promoters*

Din duguni, raat chauguni tarakki karta...**emami**!

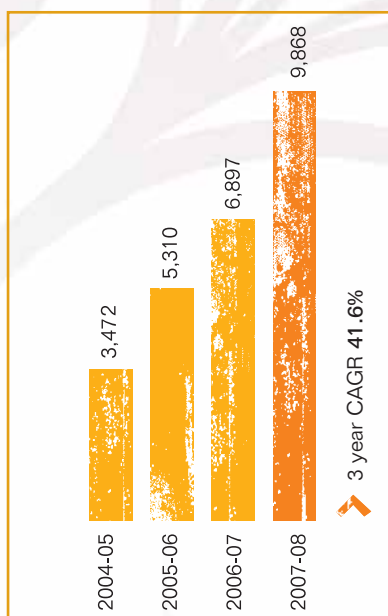
(Emami, growing leaps and bounds)

Emami is one of the fastest growing FMCG companies in India with a sales CAGR of 24.6% across the last three years.

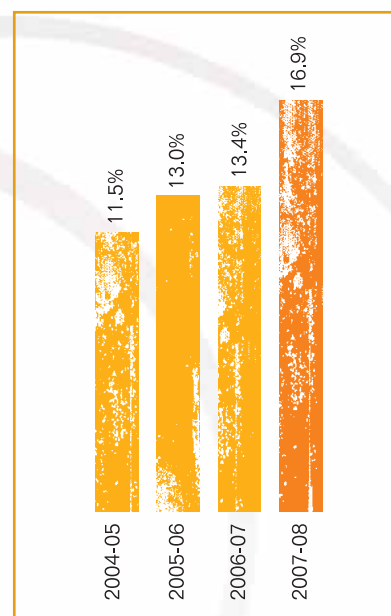
Net sales (Rs. in lacs)



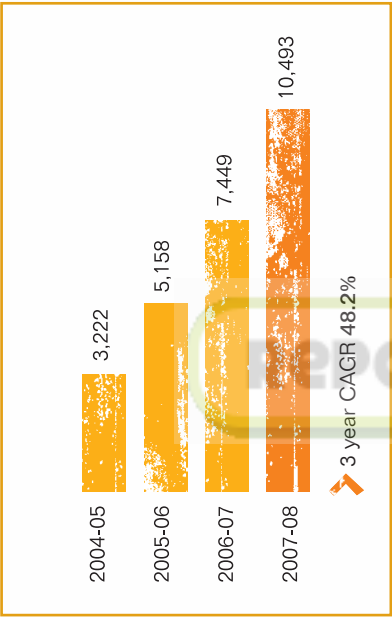
EBIDTA (Rs. in lacs)



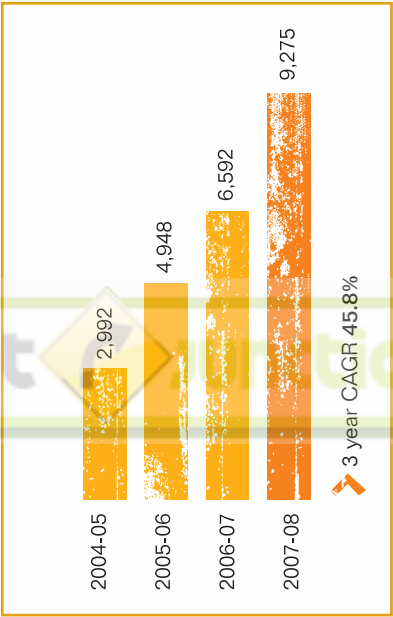
EBIDTA margin



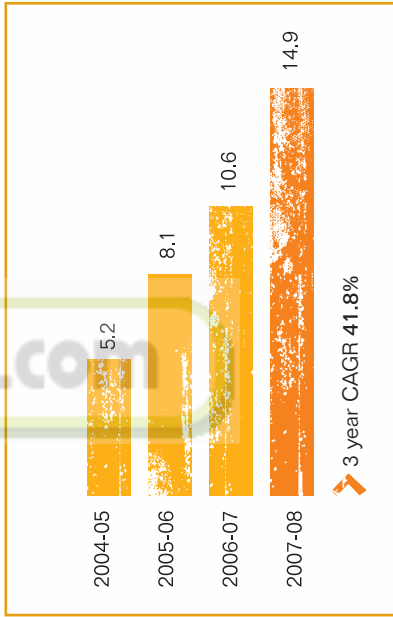
PBT (Rs. in lacs)



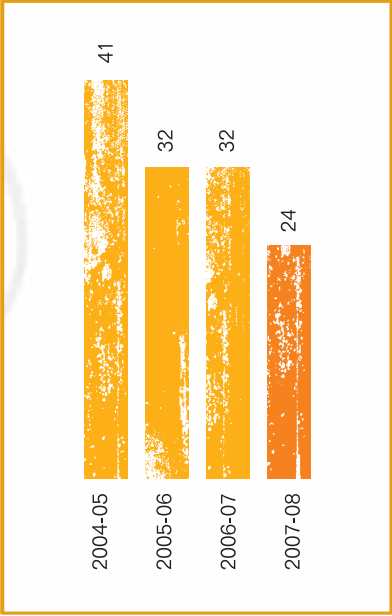
PAT (Rs. in lacs)



EPS



Receivables (in days of turnover equivalent)



Shareholder value

Earnings per share	Book value	Dividend
Rs. 14.9	Rs. 46.5	225%
2007-08	(March 31, 2008)	2007-08

Kaarobaar ko zimmedaari se chalaata...emami!

(Emami, a responsible business entity)

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Increase in the ROCE from 25.6% in 2006-07 to 28.2% in 2007-08

Emami stands for aggressive top line growth and fiscal prudence, attractive profitability and enhanced shareholder value. This is reflected in the following realities:

Corporate

- * Increase in the ROCE from 25.6% in 2006-07 to 28.2% in 2007-08
- * Growth in the ROE from 28.7% in 2006-07 to 32.1% in 2007-08
- * Rise in the EBIDTA margin from 13.4% in 2006-07 to 16.9% in 2007-08
- * Debt-equity ratio of 0.12 in 2007-08 and interest cover of over 16 in 2007-08
- * Decline in receivables from Rs. 46 cr in 2006-07 to Rs. 34 cr in 2007-08 and decline in the receivables cycle (days of turnover equivalent) from 32 days to 24 days

Report

Operations and marketing

- * The Company continued to secure its position as the largest player in the men's fairness cream category with a market share of around 59% of Fair And Handsome
- * Boroplus brand was ranked 87th in the Brand Equity Survey 2008 conducted by The Economic Times and the brand has been growing at a CAGR of 22% over the last three years
- * Navratna Oil was ranked 128th in the Brand Equity Survey 2008 conducted by The Economic Times and the brand grew at a CAGR of 20% over the last three years
- * Sona Chandi Chyawanprash grew by 4% despite a decline in the category growth
- * Emami Malai Kesar cold cream was launched last winter
- * Hair Life hair pack was launched in February 2008
- * Powder hair dye and hair pack colours were test marketed
- * State-of-the-art modern greenfield manufacturing unit is being initiated at Abhoypur in Guwahati
- * The number of distributors increased to 2,700 and the direct coverage of retail outlets increased to around 4,00,000 across the country.
- * Tied up with IOC for the distribution of Emami products in rural petrol pumps

Emami's
products enjoy
a favourable
top-of-the-
mind recall.

Sabke dimaag

Unique products and high growth drivers

Emami has focused on unique ayurvedic FMCG products in niche categories with high entry barriers.

Strong balance sheet

Emami enjoys an advantage over peers in the FMCG segment on account of a strong balance sheet (high retained surplus, attractive margins, low debt-equity ratio, declining receivables)

Strong research & development

Emami's research is not me-too; its resulting products deliver distinctive consumer value

Culture of innovation

Emami enjoys a long-standing tradition of category and product 'innovation'; its first-mover advantage has translated into growing market shares

Rising market shares

Emami's products have outperformed category

growth; a number of its products like Navratna Oil, Sona Chandi Chyawanprash, Boroplus Antiseptic Cream, Mentho Plus Balm and Himani Fast Relief have grown their market shares over the last few years

Strong celebrity endorsements

Emami's products enjoy a favourable top-of-the-mind recall, aided by celebrity endorsements

Strong brand equity lowers ad spend

Emami's marketing, positioning and innovation helped reduce advertising as a proportion of revenues from 20.4% in 2006-07 to 17.6% in 2007-08

Unlocking value through real estate

Emami's 100% subsidiary has identified 31 projects including IT parks, residential and commercial complexes encompassing around 17 mn sq.ft. of construction.

