

Emami Limited | Annual Report 2008-09

Corporate information

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

Padmashree Vaidya S. Chaturvedi

Shri Mohan Goenka

Shri A.V. Agarwal

Shri H.V. Agarwal

Company Secretary

& Sr. 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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Kolkata 700 107, West Bengal

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Works

Kolkata

Pondicherry

Guwahati

Vapi

Pantnagar

Talasari

Silvassa

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Notes: With a view to have better understanding of business, references and comparisons in this annual report have been made with respect to consolidated financial numbers except Directors' Report, unless mentioned otherwise.

- Emami, a prominent FMCG company, delivering innovative products based on holistic ayurvedic recipes, using modern scientific practices
- Zandu, a century-old company delivering ayurvedic, ethical and generic products based on strict ayurvedic protocols

- Emami and Zandu represent a synthesis of operational, marketing and cultural competencies, facilitating the delivery of innovative and effective products, converging modern-day technologies and strong ayurvedic wisdom and protocols

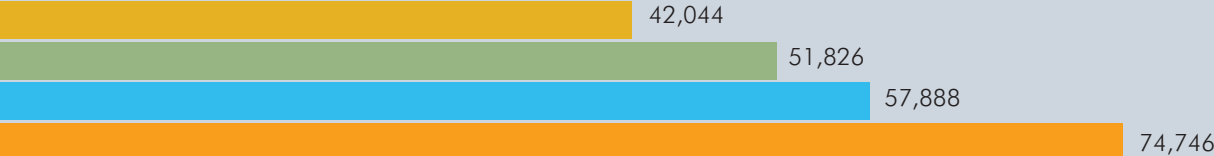
- The two brands complement each other's strengths

- The projected aggregate is larger than the sum of individual constituents, enjoying a multiplier effect on business and consequent shareholders' wealth

- Emami plus Zandu, one plus one. Not just two, but three.

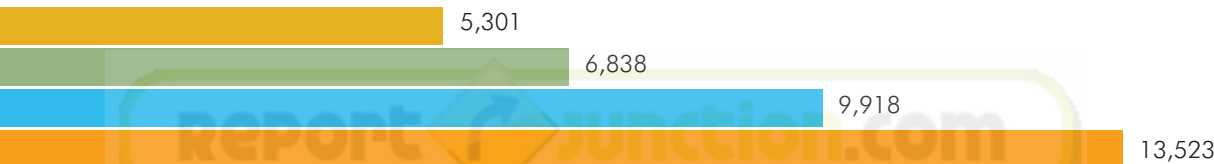
Reassuring numbers

Net sales (Rs. in lacs)



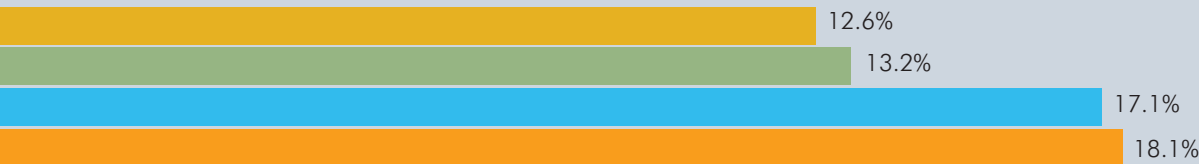
Five-year CAGR: 19.5%

EBIDTA (Rs. in lacs)

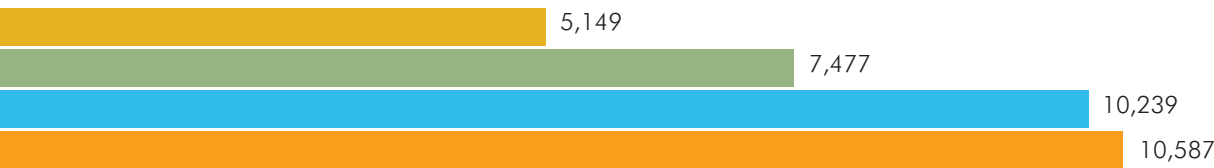


Five-year CAGR 38.9%

EBIDTA margin (%)



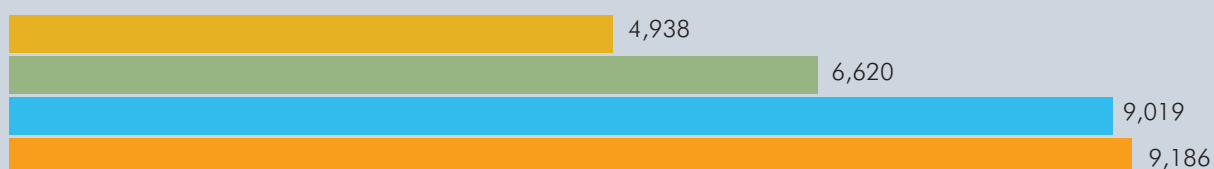
PBT (Rs. in lacs)



Three-year CAGR 33.1%

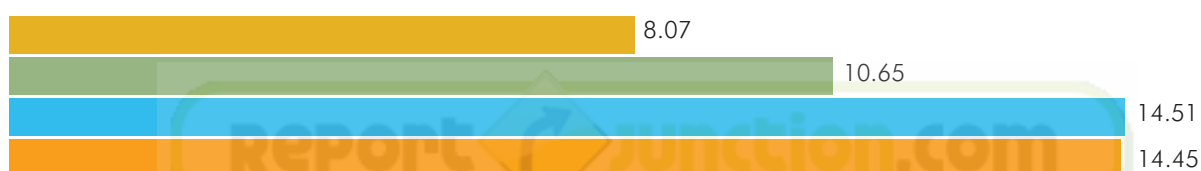


PAT after minority interest (Rs in lacs)



Three-year CAGR: 33.1%

EPS (Rs.)



Three-year CAGR 29.8%

Advertisement and sales promotion as a % of sales



Shareholder value (FY-2008-09)

Earnings per share (Rs)	Book value (Rs)	Dividend %
14.45	47.4	225%



2005-06



2006-07



2007-08



2008-09

India's FMCG industry grew 14.8% in 2008-09, Emami grew 29.1%

Corporate

- Turnover increased 29.1% from Rs. 578.9 cr in 2007-08 to Rs. 747.5 cr
- Exports grew 60% from Rs. 63.5 cr in 2007-08 to Rs. 101.6 cr, the slowdown notwithstanding
- EBIDTA grew 36.3% to Rs. 135.2 cr in 2008-09
- EBIDTA margin strengthened from 17.1% in 2007-08 to 18.1%
- Profit after tax at Rs. 91.9 cr increased marginally, despite higher incidence of interest on acquisition
- Acquired a controlling stake of 68.9% in The Zandu Pharmaceutical Works Limited in November 2008
- Consolidated FMCG and realty businesses of Emami and Zandu in separate listed entities through de-merger under a court sanctioned scheme of arrangement
- Ranked 179th among BT-500 most valuable companies of India in private sector as per a survey conducted by *Business Today* in November 2009
- Raised equity of Rs. 310 cr through QIP in July 09

Operations and marketing

- Navratna Oil, Boroplus Antiseptic Cream, Fair & Handsome fairness cream for men and Zandu Balm continued to enjoy number one status in their respective categories
- Boroplus Antiseptic Cream continues to be the largest selling antiseptic cream not only in India, but also in Ukraine, Russia and Nepal
- Fair & Handsome became the number one UAE brand in men's face care
- Launched new products like Navratna Extra Thanda Oil, Navratna Lite Oil, Boroplus Summer Lotion, Pureskin Glycerine Soap and Vasocare Petroleum Jelly across multiple categories
- Zandu balm and Boroplus ranked 62nd and 77th among India's most trusted brands across all categories (Source: Brand Equity Survey of *The Economic Times*, 2009)
- Himani Fast Relief's advertisement won the Goafest 2009 awards, the Oscars of Indian advertising
- Navratna was awarded the best packaging award by Paper Film & Foil Converters Association
- State-of-the-art manufacturing unit enjoying 10 years excise and income tax exemption started production at Abhoypur in Guwahati
- Abhoypur unit received ISO 9001:2008, ISO 14001:2004 and ISO 18001:2007 certification
- Zandu balm production commenced in a new plant in Pantnagar (Uttaranchal) in May 2009 with a 10-year excise and income tax exemption
- Roped in E&Y and initiated project 'Navodaya' for improved sales and distribution and supply-chain management
- Initiated steps for cost reduction and margin improvements in Zandu
- Commenced integrating each facet of Zandu's business – marketing, R&D, supply chain, sales and distribution, procurement, operations and HRD with Emami's

10-year highlights

(Rs. in lacs)

Particulars	2008-9	2007-8	2006-7	2005-6	2004-5	2003-4	2002-3	2001-2	2000-1	1999-0
OPERATING RESULTS										
Net Sales	74,746	57,888	51,826	42,044	31,125	30,678	29,515	24,728	23,596	14,719
EBIDTA	13,523	9,918	6,838	5,301	3,449	2,590	2,511	2,857	2,862	2,109
PBT	10,587	10,239	7,477	5,149	3,199	2,533	2,155	1,797	2,079	1,786
PAT (after minority interest)	9,186	9,019	6,620	4,937	2,975	2,199	1,867	1,712	2,070	1,706
Dividend incl Tax	3,983	3,272	2,853	1,395	697	190	158	129	160	162
FINANCIAL POSITION										
Fixed Assets (Net Block)	64,946	9,229	8,137	5052	4,975	4,712	3,353	3,185	2,554	1,666
Current Assets, Loans and Advances	24,232	33,748	17,318	14,161	11,829	11,509	10,087	10,465	11,407	5,996
Current Liabilities & Provisions	17,896	13,307	6,209	5,774	2,886	2,420	1,531	895	642	682
Net Current Assets	6,336	20,441	11,110	8,387	8,943	9,089	8,556	9,570	10,765	5,314
Liquid Investments	3,323	8,233	6,500	8,000	4,700	-	-	-	-	-
Other Investments	3,267	3,172	1,270	1,361	1,130	1,130	1,461	1,187	620	214
TOTAL ASSETS	75,216	41,075	27,016	22,800	19,748	14,931	13,369	13,942	13,939	7,194
Share Capital										
- Equity	1,313	1,243	1,243	1,223	1,223	1,123	562	582	582	562
- Preference	-	8	-	-	-	-	-	-	250	250
Reserves & Surplus	28,799	26,981	21,680	17,923	14,394	8,987	7,668	5,673	4,295	1,653
Equity Shareholders' Funds	30,112	28,224	22,923	19,146	15,617	10,110	8,230	6,255	4,877	2,215
Minority Interest	-	48	-	-	-	-	-	-	-	-
Loan Funds	44,508	12,580	3,836	3,369	3,624	4,364	4,775	7,401	8,812	4,729
Deferred Tax (Net)	596	215	258	285	506	457	364	286	-	-
CAPITAL EMPLOYED	75,216	41,075	27,016	22,800	19,747	14,931	13,369	13,942	13,939	7,194
KEY RATIOS										
Return on Shareholders' Funds (%)	30.38	31.96	28.88	25.79	19.01	21.72	24.81	27.37	42.42	77.03
Return on Capital Employed (%)	12.16	21.96	24.50	21.66	15.04	14.71	15.27	12.28	14.84	23.71
Debt - Equity Ratio	1.48	0.45	0.17	0.18	0.23	0.43	0.58	1.18	1.81	2.14
Total Outside Liabilities to Net Worth	2.07	0.92	0.44	0.51	0.44	0.70	0.80	1.37	1.94	2.44
EBIDTA Margin	18.09	17.13	13.19	12.61	11.08	8.44	8.51	11.55	12.13	14.33
Net Profit Margin	12.24	15.58	12.77	11.75	9.54	7.16	6.92	6.92	8.77	11.58
Interest Cover	6.44	N.A.	N.A.	N.A.	N.A.	N.A.	17.20	3.25	4.27	9.72
EQUITY SHARE DATA										
Earnings per Share (Rs)	14.45	14.51	10.65	8.06	5.23	3.92	3.32	3.05	3.69	3.04
Dividend per Share (Rs)	5.26	5.26	4.59	2.28	1.14	0.34	0.28	0.20	0.22	0.22
No. of Shares (In Lacs)	621.45	621.45	621.45	611.50	611.50	561.50	56.15	56.15	56.15	56.15
Book Value per Share (Rs)	47.38	45.42	36.89	31.31	25.54	18.01	14.66	11.14	8.69	3.94

Note:

With J.B. Marketing and Finance Limited merging with the Company with effect from April 1, 2006, figures for 1999-2000 and thereafter includes J.B. Marketing and Finance figures also for comparison.

Board of Directors



Shri Radhe Shyam Agarwal, Executive Chairman, 63 years, is a chartered accountant, company secretary and LLB. Started his career as a senior executive in the Birla Group. In 1974, Joint-ventured with Shri R. S. Goenka to set up an ayurvedic medicine and cosmetic manufacturing unit in Kolkata, West Bengal. He is an eminent industrialist with vast experience in strategic planning, corporate affairs and finance.

Board member of several companies like The Zandu Pharmaceutical Works Ltd, Emami Paper Mills Ltd, Emami Realty Ltd, AMRI Hospitals Ltd, South City Projects (Kolkata) Ltd, Bengal NRI Complex Ltd, Rupa & Co Ltd, Committee Member of Shree Vishudhanand Hospital & Research Institute, Nagrik Swastha Sangha and Trustee of Emami Foundation, Maa Foundation, Anamika Kala Sangam Trust and Banshilal Janki Devi Agarwal Trust. Also served as a Director on the Board of West Bengal Industrial Development Corporation and President of Merchants' Chamber of Commerce (MCC)



Shri Radhe Shyam Goenka, Director, 62, is an MCom and an LLB. Started career in 1970 with the Birla Group. Expert in taxation, strategic planning, corporate affairs and financial planning. Joint-ventured with Shri R. S. Agarwal to set up an ayurvedic medicine and cosmetics manufacturing unit in Kolkata, West Bengal in 1974.

Board member of several companies such as The Zandu Pharmaceutical Works Ltd, Emami Paper Mills Ltd, AMRI Hospitals Ltd and South City Projects (Kolkata) Ltd, among others.

Trustee in Emami Foundation, Maa Foundation, Shree Vishudhanand Hospital Trust, Keshardeo Ratni Devi Goenka Trust, Banshilal Janki Devi Agarwal Trust, Bhagatram Charitable Trust, Maa-Rashtra Prathisthan, Mumbai and Vision Care Research & Education Foundation. He is the Chairman (Research & Seminar) of Shree Vishudhanand Hospital & Research Institute and committee member of Shri Shikshayatan Secondary School, Nagrik Swastha Sangha and the Indian Cancer Society.



Shri Sushil Kumar Goenka, Managing Director, 53, is a commerce graduate. Joined Emami Group following graduation. Enjoys rich industry experience.

Secretary of Aradhana Trust, Vishwa Jagriti Mission Trust (Kolkata) and Vivekananda Hospital and Research Centre, Kolkata. Former president of Lions Club of North Calcutta and a member of Shri Ramkrishna Matrimangal Pratishthan, Ariadaha. Drives production, operations, human resources, distribution, public relations and strategy of Emami Limited.

Shri Viren J. Shah, Director, 83, is an AMP (Harvard Business School), U.S.A. with special expertise in General Business Management.

Served as Governor of West Bengal from December 1999 to December 2004. Member of Parliament (Lok Sabha and Rajya Sabha) for 16 years and several parliamentary committees. He was the Chairman of Mukund Limited for 27 years.

Former president of ASSOCHAM, IMC and other associations. Served as a Director on the Board of several companies, besides being a member on the Board of Trustee of the Asiatic Society. He is a Non-executive Independent Director of Emami Limited.



Shri K.N. Memani, Director, 70 is a senior chartered accountant. He is a former Chairman and Country Managing Partner of Ernst & Young, India, and was the member of Ernst & Young Global Council for a decade.

Specialises in business and corporate advisory, foreign taxation and financial consultancy, among others, and is consulted on corporate matters by several domestic and foreign companies. Was associated with several multinational companies in setting up businesses in India.

Member of several boards of public limited companies viz Chambal Fertilisers & Chemicals Ltd, DLF Ltd, Great Eastern Energy Corporation Ltd, HEG Ltd, HT Media Ltd, ICICI Venture Fund Management Company Ltd, India Glycol Ltd and JK Lakshmi Cement Ltd, among others, Chairman and member of audit committees and other committees of several companies.

Co-Chairman of Expert Committee constituted by the Ministry of Corporate Affairs for the amendment of the Companies Act. Served in External Audit Committee (EAC) of the International Monetary Fund for two consecutive years and was appointed the Chairman of EAC for 1999-2000. The only Indian appointed in this committee by IMF.

Chairman of quality review board constituted by the Ministry of Company Affairs and associated with various Chambers of Commerce. Former President of PHD Chamber of Commerce and Industry, former Chairman of American Chamber of Commerce in India, former President of FIEO and Indo American Chamber of Commerce.

Currently, member of managing committees of PHD Chambers of Commerce, Assocham, FICCI, American Chamber of Commerce and Indo American Chamber of Commerce. Board member of reputed management schools, foundations and charity institutions. He is a Non-Executive Independent Director of Emami Limited





Shri Shrawan Kumar Todi, Director, 68, is a post-graduate in commerce. Chairman of Shrachi Group of Companies, and is a board member of AMRI Hospitals Ltd, Bengal NRI Complex Limited, Bengal Shrachi Housing Development Limited, Bengal Tools Limited, Emami Paper Mills Limited, Bhaskar Shrachi Alloys Limited, South City Projects (Kolkata) Limited, Khaitan (India) Limited, Pratidin Prakashani (P) Limited, Shrachi Securities Limited and Web Development Company Limited, among others.

Member of managing committee of Associated Chamber of Commerce and Industries, New Delhi, Executive Committee member of Merchants' Chamber of Commerce (MCC) and Chairman of Development Committee of Marwari Hospital. Trustee of Manovikas Kendra Rehabilitation & Research Institute for the Handicapped, a government body. He is a Non-Executive Independent Director of Emami Limited



Shri Shyamanand Jalan, Director, 75, is a commerce graduate and an LLB. Attorney at Law and Member of Incorporated Law Society, India and the Bar Council of India. Authority in real estate, property matters, finance and infrastructure projects.

Won prestigious National Awards; former Vice-Chairman of the Central Sangeet Natak Academy and former Chairman of the Science City and the Birla Industrial & Technological Museum. Director of many other prominent companies. He is a Non-Executive Independent Director of Emami Limited.



Shri Krishna Kumar Khemka, Director, 76, is a science graduate. Set up many mega-sized projects in diverse industries (tyres, pulp and paper and heavy chemicals, among others). Former Chairman of Indian Paper Mills Association, former President of Rotary Club of Calcutta, Indo-American Chamber of Commerce, Indo-Italian Chamber of Commerce, etc. Committee Member of Bharat Chamber of Commerce and associated with other Chambers. He is also an Honorary Consul General of the Philippines.

Served as a Director of several companies, enjoying around 40 years of industrial experience. Associated with many cultural organisations like Anamika Kala Sangam, Sangeet Kala Mandir and Padatik, among others. He is a Non-Executive Independent Director of Emami Limited.