

WHY DO MOST PROFESSIONAL STOCK PICKERS CONTINUE TO PUT A 'BUY' ON EMAMI?

"EMAMI IN ONE SENTENCE? MASSTIGE." A CONVERSATION WITH ALYQUE PADAMSEE

"SUCCESS HAS BEEN UNDERSTANDING THE LATENT NEEDS OF OUR CONSUMERS" - EMAMI FOUNDERS

# f & emami\* focus

EMAMI LIMITED  
ANNUAL REPORT 2013-14

## WEALTH CREATOR!

Emami has been one of the most remarkable wealth creators within India's FMCG sector.

GROWING ITS PROFIT FROM ₹92 CRORE IN 2008-09 TO ₹402 CRORE IN 2013-14.

ENHANCING MARKET CAPITALISATION FROM ₹1,542 CRORE TO AROUND ₹10,000 CRORE ACROSS THE PERIOD.

WHAT CAUSED THIS INCREASE IN VALUE AND WEALTH?

SEE COVER STORY INSIDE



# CORPORATE INFORMATION

## CHAIRMAN

R.S. AGARWAL

## MANAGING DIRECTOR

SUSHIL K. GOENKA

## CEO-FINANCE, STRATEGY & BUSINESS DEVELOPMENT AND CFO

N.H. BHANSALI

## COMPANY SECRETARY & AVP-LEGAL

A.K. JOSHI

## AUDITORS

M/S S.K. AGRAWAL & CO  
CHARTERED ACCOUNTANTS

## DIRECTORS

R.S. GOENKA

K.N. MEMANI

Y.P. TRIVEDI

M.D. MALLYA

P.K. KHAITAN

SAJJAN BHAJANKA

S.B. GANGULY

AMIT KIRAN DEB

VAIDYA S. CHATURVEDI

MOHAN GOENKA

ADITYA V. AGARWAL

HARSHA V. AGARWAL

PRITI A SUREKA

PRASHANT GOENKA

## BOARD COMMITTEES

### AUDIT COMMITTEE

S.B. GANGULY, CHAIRMAN

R.S. GOENKA

SAJJAN BHAJANKA

AMIT KIRAN DEB

### NOMINATION AND REMUNERATION COMMITTEE (PREVIOUSLY KNOWN AS REMUNERATION COMMITTEE)

AMIT KIRAN DEB, CHAIRMAN

SAJJAN BHAJANKA

S.B. GANGULY

### SHARE TRANSFER COMMITTEE

MOHAN GOENKA, CHAIRMAN

ADITYA V. AGARWAL

HARSHA V. AGARWAL

PRITI A SUREKA

### STAKEHOLDERS' RELATIONSHIP COMMITTEE (PREVIOUSLY KNOWN AS INVESTORS' GRIEVANCES COMMITTEE)

SAJJAN BHAJANKA, CHAIRMAN

S.B. GANGULY

MOHAN GOENKA

HARSHA V. AGARWAL

### FINANCE COMMITTEE

R.S. GOENKA, CHAIRMAN

SUSHIL K. GOENKA

MOHAN GOENKA

ADITYA V. AGARWAL

HARSHA V. AGARWAL

PRITI A SUREKA

### CORPORATE GOVERNANCE COMMITTEE

S.B. GANGULY, CHAIRMAN

R.S. GOENKA

Y.P. TRIVEDI

AMIT KIRAN DEB

### CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

SUSHIL K. GOENKA, CHAIRMAN

AMIT KIRAN DEB

MOHAN GOENKA

HARSHA V. AGARWAL

PRITI A SUREKA

## BANKERS

CANARA BANK | ICICI BANK LTD. | STATE BANK OF INDIA | HDFC BANK | HSBC

### REGISTRAR & TRANSFER AGENT

MAHESWARI DATAMATICS PRIVATE LIMITED, 6, MANGO

LANE, KOLKATA 700 001, WEST BENGAL, INDIA,

TEL: +91-33-2248 2248, FAX: +91-33-2248 4787,

EMAIL: MDPL@CAL.VSNL.NET.IN

REGISTERED OFFICE: EMAMI TOWER, 687, ANANDAPUR,

EM BYPASS, KOLKATA 700 107, WEST BENGAL,

TEL : +91-33-6613 6264, FAX: +91-33-6613 6600,

EMAIL: CONTACT@EMAMIGROUP.COM

### OUR PRESENCE

SEVEN FACTORIES, ONE OVERSEAS UNIT, FOUR REGIONAL

OFFICES, 32 DEPOTS, FIVE OVERSEAS SUBSIDIARIES,

63 COUNTRIES

ONLINE: WWW.EMAMILTD.IN | CIN: L63993WB1983PLC036030

Ab pollution se dar nahi  
- Sonakshi

Introducing **Boroplus**

Anti Pollution Face Wash™

With revolutionary Nature Shield Complex™

**BORO  
PLUS**

ANTI POLLUTION  
FACE WASH™

**Pollution Ka Solution\***

\*Based on consumer feedback post usage of the product for 8 weeks  
in Delhi as the product is 100% manufactured in India.



# emami focus

## CONTENT

### Letter from the Editor

**W**e are happy to bring you the 31st Annual Report of Emami Limited.

Over the decades, Emami Limited (started with a seed capital of ₹20,000) has become a wealth creator – in terms of its brands, turnover, profitability and market capitalisation – valued at around ₹10,000 crore.

What makes our story compelling is that we have grown through a policy of ‘middle-class-isation’, we have grown through ruralisation, we have grown through endorsements, we have grown through category creation, we have grown through professionalisation.

The result is that we are a rare sustained Indianised FMCG success story, one of the fastest growing and profitable in our sector.

This report covers the various facets of the Emami success story and we hope readers will find it informative, insightful and enriching.



R.S. Agarwal



R.S. Goenka

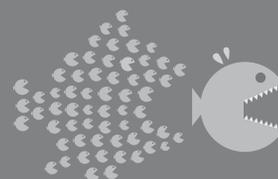
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*Founders*

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### Forward-looking statement

In this annual report, we have disclosed the Company's objectives, expectations and forecasts to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements – written and oral – that we periodically make may be forward-looking within the meaning of applicable securities laws and regulations. We have tried wherever possible to identify such statements

by using words such as ‘anticipates’, ‘estimates’, ‘expects’, ‘projects’, ‘intends’, ‘plans’, ‘believes’ and words of similar substance in connection with any discussion of future performance.

Although we believe that we have been prudent in our assumption, actual results may differ materially from those expressed in the statement. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions.

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**Optimism!**

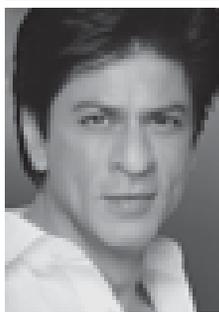
- SUSHIL K. GOENKA

*Managing Director*

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Emami Limited. Promoter-driven yet professionally-managed.



### 64 Photo feature

Emami for the first time, organised Emami Cultural Fiesta, a series of events which aimed to reach out to all those who appreciate music and the performing arts.

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"With Emami, we have access right to the top!"

Key Emami dealer, Arun Poddar (Poddar Traders, New Delhi), explains what has helped grow his Emami relationship over the decade

# HIGHLIGHTS

# 2013-14

## PROFITS

- 1 EBIDTA  
₹441 crore  
grew by 27.1%
- 2 EBIDTA margin  
24.2% improved by 380  
bps
- 3 PAT ₹402.4 crore  
grew by 27.9%
- 4 PAT margin  
22.10% improved by  
357 bps
- 5 EPS ₹17.73 also  
grew by 27.9%
- 6 ROCE 40.9%  
grew by 645 bps
- 7 ROE 43.2%  
grew by 270 bps

## TURNOVER

- 1 Consolidated net  
sales ₹1,821 crore  
grew by 7.2%
- 2 Domestic sales  
₹1,511 crore  
grew by 5.1%
- 3 International  
business  
₹221 crore  
grew by 23.0%
- 4 Institutional  
business  
₹89 crore  
grew by 8.6%

## COSTS

- 1 Cost of goods  
sold at 37.4% of  
sales decreased by  
470 bps.
- 2 Advertisement  
and Sales promotion  
stood at ₹277 crore,  
decreased from  
16.4% to 15.2% of  
sales

## WORKING CAPITAL

- 1 Average collection  
period decreased from  
24 days to 16 days
- 2 Average inventory  
holding increased from  
25 days to 28 days.
- 3 Net working capital  
improved from  
41 days to 29 days
- 4 Net Cash of  
₹522 crore

## CAPITAL MARKET

- 1 The Company issued bonus shares to shareholders in the proportion of 1:2, i.e. one equity share for every two shares held in the Company in June 2013.
- 2 Market Capitalisation of around ₹10,000 crore
- 3 Initially shareholder who invested ₹1,000 for 100 shares eventually got back ₹4,000 after rights issue and are presently owners of Emami shares worth around ₹4.0 crore – 10,000 times return in 34 years
- 4 Shareholders' money increased by over 19 times and over four times on their investment after the public issue in March 2005 and QIP in July 2009 respectively
- 5 More than 20 brokerage houses covering Emami stock include UBS, Credit Suisse, Nomura and Macquarie. During the year CIMB, Philip Capital, ICICI Securities among others also initiated coverage on Emami

## BRANDS

- 1 Navratna Oil market share 57% in FY14 - surged 240 bps over FY13
- Cool Talcum Powder market share 24 % in FY14 surged by 470 bps over FY13
- 2 Fair and Handsome market share 61% in FY14 grew 350 bps over FY13

## BRANDS

- 3 Menthoplus Balm and Zandu Balm combined market share 61%
- 4 BoroPlus Antiseptic Cream market share 78% in FY14 grew by 70 bps over FY13
- 5 The Zandu Ayurvedic HCD grew by 36% in FY14
- 6 New launches BoroPlus face wash, 7 Oils in One, Fair and Handsome intense fairness face wash

## OPERATIONS

- 1 Direct retail reach increased to 6.25 lac outlets reaching out along with a distributor strength of 3,000
- 2 Initiated to cover 600 distributors under the outreach-secondary sales software, contributing to 60% of sales
- 3 Modern trade business grew by 28% in FY14
- 4 Bangladeshi unit started operations
- 5 Land acquired for third unit in North-east India under a mega project scheme and the unit is expected to commence operations in FY16
- 6 Construction initiated for warehouses in 4 locations : Kolkata, Patna, Ambala & Guwahati
- 7 Enterprise Risk Management implemented and is ISO 31000 : 2009 certified

# “Our key to success has been understanding the latent needs of our consumers”

**A**T EMAMI, WE BELIEVE THAT THE POSITIONING indicated in the headline of this overview is as sound as it is relevant, for some enduring reasons. In a world where there are growing concerns about the safety of chemical products on the human body, Emami provides benign solutions. Emami products are herbal, safe and without side-effects.

In a world where consumers are continuously seeking innovative solutions, Emami provides products that take the consumer experience a few notches ahead each time. This is because Emami has commissioned a dedicated research unit stewarded by experienced industry professionals who reconcile the wisdom of *ayurveda* with the discipline of professional science.

In a world where competitive advantage is derived from the delivery of non-commoditised products, Emami provides distinctive products. This is because Emami has selected to work in under-penetrated segments with potential and introduced aspirational products without compromising mass relevance.

In a world where sustainable success is derived from sales across a wide footprint, Emami has invested in deep geographic penetration. Emami has leveraged its rural distribution channels that has made it possible for the Company's brands to be sold down to rural population clusters of 10,000+.

Emami selected to work in under-penetrated segments with potential and introduced products that are aspirational without compromising mass relevance.



**Emami**

invested in a rural distribution network enjoying a direct reach to over 625,000 retailers covering villages with 10,000+ population

## How we performed in 2013-14

The year 2013-14 was a challenging one for India's FMCG industry for a number of reasons. The country's Consumer Price Index remained high. An unfavourable summer and winter affected offtake. Some FMCG sectors de-grew. In such an environment, when most FMCG companies would have been happy to protect their margins, Emami selected to enhance its profitability through various initiatives:

- We made a judicious purchase of raw materials through long-term booking at competitive prices
- We enhanced the effectiveness of our promotional spending, which enhanced our brand economies
- We strengthened our international business through superior terms of trade and lower inventory
- We conducted cost management programmes across all functions and all expense heads leading to higher efficacy at lower cost

The result is that even as our topline growth was 7.2% in 2013-14, we enhanced our bottomline by 27.9%.

## Outlook for the country, sector and Company

There are a number of reasons why prospects are bright for the Indian FMCG industry:

- India represents a nation with one of the largest proportion of young income earners
- India's rural per capita disposable income is estimated to increase at a CAGR of 4.4% to USD 631 by 2020
- India's FMCG sector is expected to

**Emami intends to invest aggressively in brand spending, marked by celebrity endorsements.**

grow at a CAGR of 14.7% to USD 110.4 billion by 2020; its rural FMCG market is expected to increase at a CAGR of 17.7% to USD 100 billion by 2025

Emami is poised to grow its sectoral presence through enhanced penetration in rural and urban India. The Company has invested in a strong rural distribution network enjoying a direct reach to over 625,000 retailers covering villages with 10,000+ population. Besides, the Company is attractively placed to capitalise on urban growth as the Company's products are available everywhere from modern retail stores to conventional next-door *kirana* stores.

Emami expects to launch category creators and leaders, which, in turn, will translate into profitable product extensions. Over the decade, Emami demonstrated this capability through the launch of Emami Fair and Handsome, Navratna Cool Talc and BoroPlus Moisturising Body Lotion. During the year under review, the Company launched Zandu Vigorex, 7 Oils in One, BoroPlus Face Wash, Fair and Handsome Face Wash for men, which were well received.

Emami intends to invest aggressively

in brand spending, marked by celebrity endorsements. Over the decade, the Company's brand spending was among the highest in India's FMCG sector; every crore rupee invested in brand building generated ₹6.6 crore in revenues and ₹1.5 crore in net profit during the year under review.

## Optimism

The efficacy of Emami's strategy has been vindicated by its growing bottomline (₹92 crore in 2008-09 to ₹402 crore in 2013-14) and its growing market capitalisation (₹1,542 crore in 2008-09 to around ₹10,000 crore in 2013-14). Someone who invested ₹70 for one share at the time of the Company's IPO in 2005 would have seen his/her holding grow 19 times to ₹1,314 at the close of the year under review.

Going forward, Emami intends to strengthen its presence in the healthcare and personal care segments by providing innovative, yet affordable, products and marketing them aggressively across domestic and international markets.

Regards,



R.S. Agarwal  
Founder



R.S. Goenka  
Founder