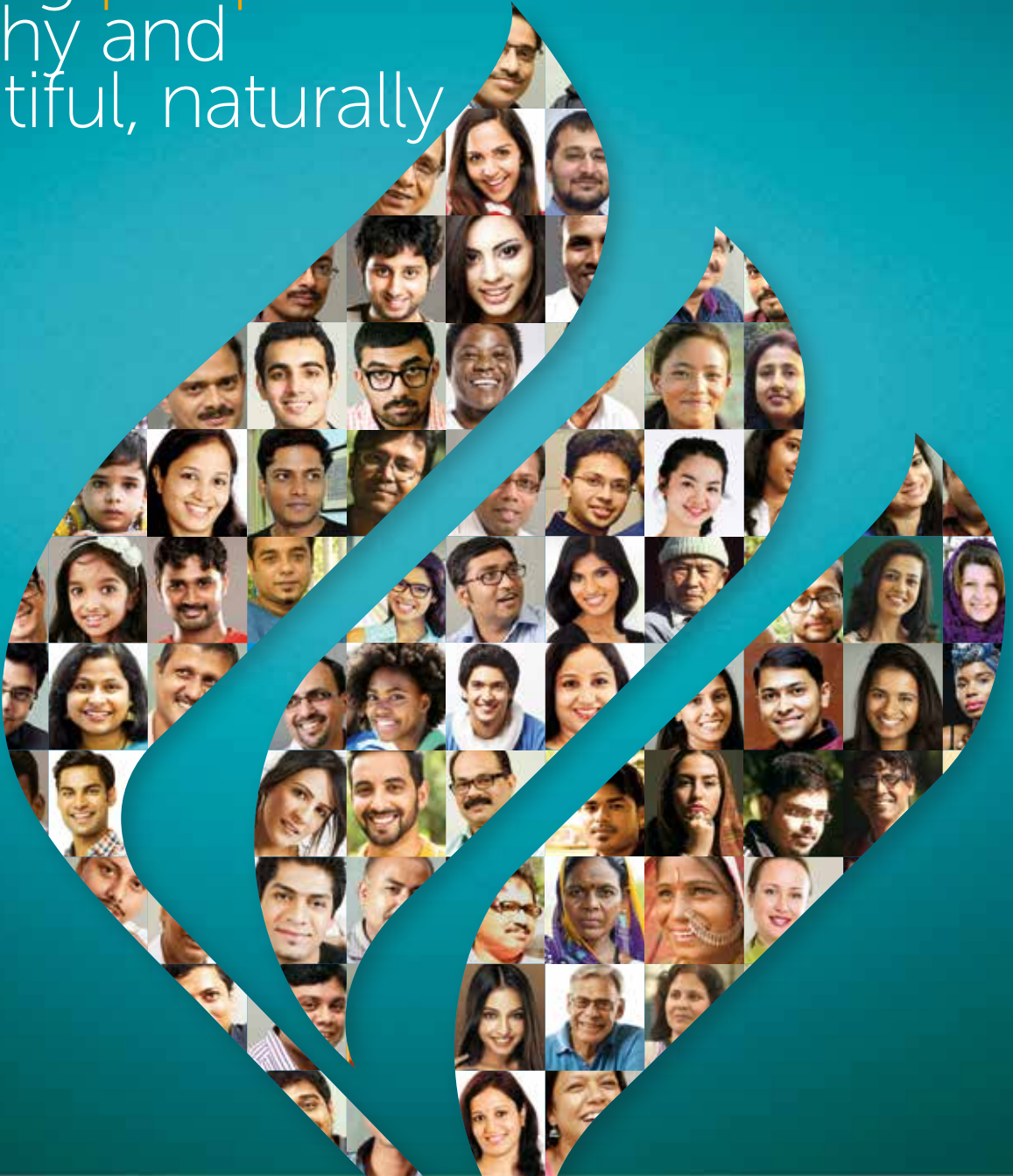


# emami\*

www.emamilttd.in | VOLUME: XXXIII

Making people  
healthy and  
beautiful, naturally



emami\* limited  
ANNUAL REPORT 2015-16

# Corporate Information

## Chairman

R.S. Agarwal

## Managing Director

Sushil K. Goenka

## CEO-Finance, Strategy & Business Development and CFO

N.H. Bhansali

## Company Secretary & VP-Legal

A.K. Joshi

## Auditors

S.K. Agrawal & Co

Chartered Accountants

## Directors

R.S. Goenka

K.N. Memani

Y.P. Trivedi

M.D. Mallya

Rama Bijapurkar

P.K. Khaitan

Sajjan Bhajanka

S.B. Ganguly

Amit Kiran Deb

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

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

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

### Risk Management Committee

R.S. Goenka, Chairman

S.B. Ganguly

Sushil K. Goenka

Mohan Goenka

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

## OUR PRESENCE

60+ COUNTRIES | 7 FACTORIES | 1 OVERSEAS UNIT | 4 REGIONAL OFFICES | 33 DEPOTS | 8 OVERSEAS SUBSIDIARIES.

## BANKERS

CANARA BANK | ICICI BANK LTD. | CITI BANK N.A. | HDFC BANK LTD | HSBC LTD | DBS BANK LTD.

### Registrar & Transfer Agent

Maheswari Datamatics Private Limited,

6, Mangoe 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

Website: [www.emamilttd.in](http://www.emamilttd.in) | CIN: L63993WB1983PLC036030

# contents



Founders' statement

Our key to success 04

**Upfront**  
Highlights – FY 2015-16 08

**Growth story**  
10 Year – Highlights 10

**Upfront**  
Board of Directors 20



Young Leadership 25



TEAM Emami  
Heads of Departments 77

Cover Story 12

Making people healthy and beautiful, naturally

**Q & A**

Managing Director's Review 22



**Focus**

Consumer Care 26

Health is Wealth 34

10 things you need to know about Emami's Global Business 38

A Bullish Proposition 76

Emami. Newsmaker 78

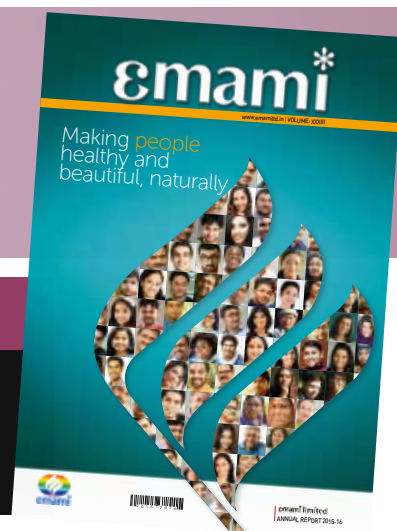


Beyond Business 58

Awards & Accolades 62

Emami Cultural Fiesta 63

Fresh! 64



**Features**

No Stress! 30

Perspective: Babu Datta 36

Perspective: Ravi Chaturvedi 37

Kingly Step! 42

BoroPlus Not Cosmetic 46

Perspective: Anjan Chatterjee 51

Less Pain More Gain 52

Mirror Mirror on the Wall 54

**Statutory section**



Management Discussion and Analysis 66

Directors' Report 80

Corporate Governance Report 112

Business Responsibility Report 140

**Financial section**

Standalone Financial Statements 151

Consolidated Financial Statements 187

### EDITORIAL BOARD

N H Bhansali

Rajesh Sharma

Mahasweta Sen

Arpit Shah

Pritha Roy Chakraborti

### 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.



*To all our Stakeholders,*

Welcome to yet another edition of the Emami Annual Report!

When we started presenting our annual report in the form of a magazine, a number of people asked 'A magazine? Really?'

The advantages of an exhaustive reporting format soon began to emerge.

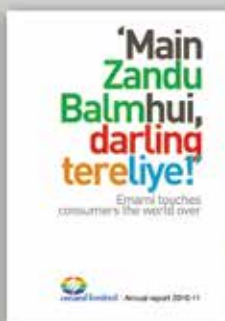
A number of shareholders at the AGM complimented the management for going against convention. They said they found the magazine engrossing. Some indicated the information reporting was comprehensive. Yet others indicated that they never realised the management depth of the Company until they read this differentiated treatment.

And that is precisely why we selected to extend the Annual Report beyond its conventional treatment – from a collection of numbers and strategic analyses towards a document that broadly captures the romance of the Company.

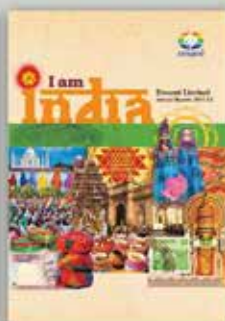
We hope you enjoy this edition!



2009-10



2010-11



2011-12



2012-13



2013-14

## Readers speak

**The Next Orbit** – the last year’s Annual Report from the house of Emami, in one word, was awesome. It was not only very aesthetically designed with an international appeal, it was also a very good read because now I know that what strategies the Company followed to achieve multiple growth. Your Annual Report format similar to a magazine is really unique.

**RAJESH GHORAWAT,**  
*Shareholder*

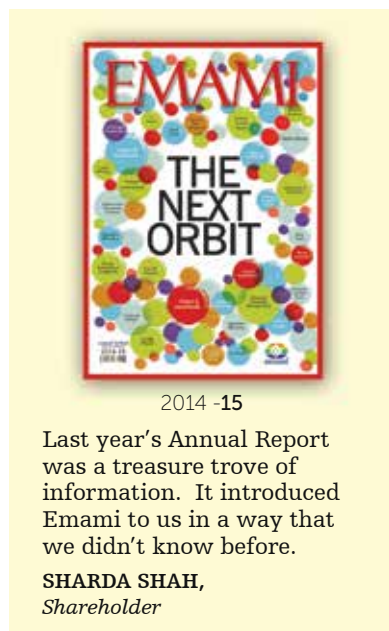
Most respectfully, I am pleased to give my feedback on the Annual Report (2014-15) of the Company. As a shareholder, my priority is to know everything about the Company and how it has been performing. I take the privilege to say that I am well satisfied with the quality of Annual Reports of the Company because the feature style of the report makes it interesting to read yet easy to comprehend. Moreover, in a constructive and easy manner, it showcases the highlights of fiscal, journey of the Company, the brand legacies and highlights of Emami’s growth over the last decade. A well-defined financial result, offering a comprehensive overview that the shareholder needs to know to reinforce trust in the company. Using your platform I would give my best wishes to the Company.

**MADHUSUDAN DEY,**  
*Shareholder*

I would like to take the privilege of giving my feedback on the Annual Report (2014-15) of Emami Limited.

I have been associated with Emami since long-time and I feel like being an important member of the Emami family. Just like in a family, trust forms the base in keeping every member together, similarly Emami forms the base of this trust and loyalty with its shareholders through each year’s Annual Report. Transparent, comprehensive and interesting are the three words I would like to use for the last year’s Annual Report. I am pleased to say that each year my expectations with the Company rises and seeing the growth of the company through the report not only fulfils my desired expectation but also builds a stronger equity for the Company.

**SANDIP KR. KEJRIWAL,**  
*Shareholder*



2014-15

Last year’s Annual Report was a treasure trove of information. It introduced Emami to us in a way that we didn’t know before.

**SHARDA SHAH,**  
*Shareholder*

**I am India, Only Numbers, Emami – Focus, Emami – The Next Orbit** – Emami Annual Report is setting an industry benchmark with every passing year. The ideation, the creativity, the quality and the variety of information is only getting better with each edition. As a shareholder, I feel privileged to have a copy of Emami Annual Report which is worth treasuring. I look forward to see what surprise elements the Emami Annual Report for the year 2015-16 is going to offer.

**MAYANK BEHANI,**  
*Shareholder*

Emami Limited is perhaps one of the few companies in India or may be in the world who have shown the courage to take a serious document like a Company’s Balance Sheet to the excellent levels of creativity. The magazine format is really unique which generates interest not only for shareholders but for any lay reader to go through the articles which are really well researched and informative. My best wishes are with the Company and I hope to see many more powerhouse of creativity in the Annual Reports of Emami Limited in the coming days.

**TULSI RAM TIBREWAL,**  
*Shareholder*



# Our key to SUCCESS

There has been just one secret behind the transformation of Emami into a frontline Indian FMCG company. The ability to understand latent unexpressed needs of consumers and translate them into clutter-cutting products. The result is a company that was valued at around ₹21,200 crore in market capitalisation as on 31st March 2016, growing by nearly 40 times in value since its Public Offer in 2005.

Emami is present in the fourth largest national sector. The sector touches billions, across geographies. The sector is overcrowded by organised and unorganised players. These players manufacture a large number of products. A number of these products are me-too and even counterfeit.

The aim is not to merely survive this environment; the objective is to succeed in it. This success needs to be derived from the identification of niches relatively insulated from competition. These niches are created (and occupied) by understanding where the external environment is trending, what consumers are likely to need and working backwards to create relevant and affordable products. Our edge lies in spotting categories that are unique, devoid of competitors and with a unique proposition, enabling us to enjoy absolute category leadership.

In this environment it would be easy to offer deep discounts and freebies in the pursuit of short-term visibility and market share but the strategy would be largely unsustainable and even brand-destroying.

Since inception, Emami's success has been derived from its keen understanding of Indian middle-class aspirational consumers. This competence is often under-appreciated; since India is a vast country with varied geographical and climatic conditions where consumer profiles change every 100 km, what one needs, is a product portfolio addressing diverse consumer requirements.



And this is where we come to something we are deeply proud about: Emami is a truly Indian company that addresses middle-class aspirational consumer needs by creating truly Indian brands.

Emami's consumer understanding extends beyond product functionality. When our consumer study indicated that nearly 30% of women's fairness creams were actually used by men, we studied user buying patterns. Men were not comfortable buying the product directly across the counter. There was a hesitation in admitting openly that men also needed to look fair. We worked on these cues and the result was that we introduced a fairness product exclusively for men - Fair and Handsome – supported by a communication strategy that empowered closet users to step out and buy the product. We didn't just launch a product; we created a category for the first time in India.

Or take the case of Nityam tablets. The conventional consumption of an ayurvedic laxative is cumbersome. We

worked around this problem to introduce a convenient tablet. This innovation is not just about a new product introduction; it encourages a new form of consumption, graduating the consumer experience.

That brings us to four words that have made all the difference at Emami. **Graduating the consumer experience.** We don't merely plug product gaps; we create stand-out products. We don't just make consumers feel good about purchase; we graduate their experience to a different level. We don't just focus on therapeutic safety; we weave a deep

**Emami is among the few Indian FMCG players to extend deep into its rural market which accounts for more than 70% of the country's population. Here too, we progressively adapted our role: we graduated from marketing large SKUs to small affordable equivalents.**

research-led ayurveda tradition into product safety. We don't just bank on ayurveda; we validate our products through competent safety studies.

Emami's success is derived from its niche ayurveda and herbal-based positioning as well as its strong innovation and new category incubation. We have leveraged ayurveda with modern-day science to deliver best, yet affordable, and effective products, which have been manufactured using advanced scientific and laboratory practices. Most of our manufacturing units are ISO 9001: 2000 compliant and accredited with ISO 14001: 2004 and ISO 18001: 2007 certifications.

It would have been defeating for a truly Indian company addressing its vast middle-class consumer base to be urban-driven. The reality is that Emami is among the few Indian FMCG players to extend deep into a rural market which accounts for more than 70% of the country's population. Here



too, we progressively adapted our role: we graduated from marketing large SKUs to small affordable equivalents. Besides, we marketed products around attractive price points that encouraged enhanced value-addition without becoming expensive, creating a compelling volume-value play.

It would have been convenient for a truly Indian consumer products company to continue marketing within the heart of India on the grounds that this, given the extensive under-consumption, represented a world of an opportunity. Emami is a confident global Indian corporate; we customised our brands around the climatic and physical suitability of countries the world over. The result is that we extended our Indian multi-category leadership to international markets. And best of all, we did not merely market in some of these countries; we commissioned our first international manufacturing unit (Bangladesh) to address the needs of that geography.

It would have been time-consuming for an ambitious Emami to grow through the organic route. We selected to acquire businesses instead. In 2008, we acquired a multi-decade Zandu possessing a rich repository of ayurvedic knowledge and products. The acquisition was considered daring for its scale; we implemented the acquisition, repositioned acquired brands and the result is that the Zandu portfolio has trebled its domestic sales since acquisition. In 2015, we acquired the ayurvedic hair and scalp care business under the Kesh King brand (ayurvedic medicinal oil, aloe vera herbal shampoo and ayurvedic capsules) on the grounds that the ayurvedic hair and scalp-care category was extensively under-penetrated.

It is just not enough to create

effective and affordable products of the best quality. They also need to be competently communicated to consumers. Emami's products are backed by robust communication understood by the masses. Our products have been consistently positioned around enhanced life quality. We complemented this pitch through the pioneering engagement of celebrity brand ambassadors.

Even as a strong consumer pull was created because of these initiatives, it was important to create a robust distribution system. We reached consumers everywhere; we made our products available in villages of population clusters of less than 10,000. The result is that we now have more than 2,900 distributors, a direct coverage of more than 6.4 lac retail outlets and indirect reach across more than 4 million retail outlets. Even in the remotest part of the country, you are likely to find a store – possibly the smallest shack – marketing Emami products across the counter.

### Outlook

Emami's Power Brands are growing and penetrating further. The brand extensions and new launches are receiving encouraging response. The International business is expected to grow aggressively. An improving economic landscape leading to higher disposable incomes and normal monsoons are expected to revitalise the rural economy and FMCG prospects. Emami is poised to take benefit of these growing opportunities.

The bottomline is that we find Emami waiting to capitalise extensively. Our story is just beginning.

RS Agarwal | RS Goenka

## Impact

The cumulative impact of our differentiated business model is evident in the numbers

# 16%

Five-year CAGR in Revenues

# 22%

Five-year CAGR in EBITDA

# 20%

Five year CAGR in Cash Profit

More than  
₹ **1,700** crore  
Spent on advertising and promotion in the past five years

~ ₹ **850** crore  
Cumulative dividend payout in the last five years

~ **3.5<sub>x</sub>**  
Increase in market capitalisation in the last five years

# 25+

New products and extensions introduced in the last five years

# Highlights, FY 2015-16

## A TURNOVER

**Consolidated net sales** at ₹ 2,624 crore grew by 18.3%

**Domestic sales** at ₹ 2,150 crore grew by 19.5%

**International business** at ₹ 365 crore grew by 15.0%

**Institutional business** at ₹ 109 crore grew by 8.6%

## B PROFITS

**EBIDTA** at ₹ 684 crore grew by 26.6%

**EBIDTA margin** at 26.1% improved by 170 bps

**Cash profit** at ₹614 crore grew by 18.1%.

**Cash profit margin** at 23.4%

**Cash EPS** at ₹27.1 grew by 18.1%

**ROCE:** 29.4% (on cash profit)

**ROE:** 43.8% (on cash profit)

## C COSTS

**Cost of goods sold** at 31.0% of sales decreased by 420 bps

**Advertisement and sales promotions** increased from ₹392 crore to ₹531 crore (increased by 260 bps from 17.7%.to 20.3% of sales)

Invested ₹148 crore in **new launches** against ₹88 crore in PY

**Amortisation of intangibles** at ₹210 crore

## D STRATEGIC INITIATIVES

**Acquired Kesh King business** at a cost of ₹1,684 crore (including duties & taxes)

**Engaged McKinsey to:**

- Improve sales force effectiveness
- Reduce costs/improve margins
- Devise strategies for international business

**Invested aggressively in IT initiatives**

- Moved to cloud infrastructure
- Embarked on high impact projects: Migration to HANA, sales force automation, business analytics, among others

## E WORKING CAPITAL

Average inventory holding stood at 21 days of turnover equivalent

Average collection period stood at 18 days of turnover equivalent

Average payment period stood at 34 days of turnover equivalent

Average advance period stood at 14 days of turnover equivalent

Net working capital stood at 19 days of turnover equivalent

Net borrowings of ₹ 551.1 crore

