

# THE **emami** WAY

emami limited | ANNUAL REPORT 2016-17 | VOLUME: XXXIV

## ESSENTIALS

Founders RS Agarwal and RS Goenka did not merely set out to launch differentiated products; they set out to create a different kind of company.

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Founders' Statement

**INNOVATION**  
AT THE HEART  
OF EVERYTHING

PAGE 04



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# 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 | 8 FACTORIES | 1 OVERSEAS UNIT | 4 REGIONAL OFFICES | 33 DEPOTS | 8 OVERSEAS SUBSIDIARIES.

## BANKERS

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

## Registrar & Transfer Agent

Maheswari Datamatics Private Limited,  
23, R.N. Mukherjee Road, 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, India.  
Tel : +91-33-6613 6264, Fax: +91-33-6613 6600,  
Email: contact@emamigroup.com

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

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# Editors' note



## EDITORIAL BOARD

N H Bhansali  
Rajesh Sharma  
Mahasweta Sen  
Arpit Shah  
Pritha Roy Chakrabarti

## 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.

**Note:** All Market shares mentioned in this Annual Report pertain to MAT December 2016 in volume terms



*To all our Stakeholders,*

Welcome to the 34th Annual Report of Emami Limited!

The year FY17 was one of the important for the country as a whole. The landmark demonetisation initiative by the Central Government disrupted the economy and staggered consumption. The much-awaited GST legislation was readied for implementation in FY18.

The big message that we wish to communicate is that despite the macroeconomic headwinds, we were able to hold our market share, revenues and margins.

With the impact of demonetisation receding following better monsoons, we expect that the coming year will be better for Emami and continue to add to shareholder wealth.



Additional details, investor information and the latest financials can be accessed at [www.emamilttd.in](http://www.emamilttd.in) across devices

## ANNUAL REPORTS OVER THE YEARS



2010-11



2011-12



2012-13



2013-14



2014-15

### Readers speak

I look forward to receive the Annual Report of Emami Limited as it stands out from every other company on BSE. An easy-to-read report with their impressive numbers, attractive brands, good endorsements – what else one can ask for?

**Om Prakash Mantri**  
Shareholder

The Annual Report of 2015-16, to my knowledge, captured the essence of the brand Emami in the best possible way. The creative thought behind putting people's faces within the 'leaf' of the Emami logo was a reassuring message from the Company to shareholders and consumers about its commitment of consumer excellence - to whom the Company has been catering across the years. Indeed, Emami as a Company should be lauded for making people "Healthy and Beautiful, Naturally" with commendable success. I hope, Emami Annual Reports will continue to showcase the Company's ethos and culture as vividly in all coming editions.

**Ballav Das Daga**  
Shareholder

Emami Ltd's Annual Report is not only pleasing to the eye. From its financial statements, one can

get detailed financials with rich historical data. The elements of business strategy and details of various brands have been carefully spelt out. Coupled with the financial analysis, the annual report of the Company enables the investor to derive a fair understanding on how the brands have evolved over the years and the direction the Company is taking. It helps the investor make a reasonable assessment of the value within the Company.

**Rajesh Poddar**  
Shareholder



2015-16

The Annual Report for the financial year 2015-16 was a wonderful combination of

information and design. From the brand stories to the perspectives from renowned personalities, each article provided an in-depth insight into the workings of the Company. The transparent disclosures in statutory reports and the outlook contained in the Management Discussion and Analysis provided enough reason to stay invested in the Company. I thank the management and the editorial board for crafting an informative Annual Report.

**Ranu Dey Talukdar**  
Shareholder

As a shareholder, one feels privileged to receive a comprehensive Annual Report. While most of the companies restrict themselves to statutory disclosures, the annual report of Emami Ltd. takes an effort to report each aspect of the business in a comprehensive and creative manner. I feel that Emami's annual reports are setting benchmarks with every passing year. I am eagerly looking forward to this year's annual report. My best wishes for the Company!

**Neeta Agarwal**  
Shareholder

# INNOVATION AT THE HEART OF EVERYTHING

When we ventured to create Emami more than four decades ago, there were a number of commandments that we resolved we would follow. Similarly, there were a handful of commandments that we decided we would not follow. One of them was 'Thou shalt not imitate.'

Looking back, we believe that this has been one consistent ingredient in our success. We have invested in innovations - innovative products, innovative ingredients, innovative marketing, innovative packaging and innovative communication. While we promoted innovations, we watched peers launch short-lived me-too products.

We often applied that one standard filter when presented concepts by senior managers or consultants: '*Is me naya kya hai?*' This singular focus has been the biggest catalyst in our transformation from a 150 sq.ft room in the alleys of North Kolkata to a ₹24,000 crore market capitalisation business comprising nine manufacturing units, more than 60-country presence and nearly 3,100 employees.

The message is that when you think differently, the business grows naturally.

At Emami, we believe that practiced innovation is derived from a combination of art and science. More importantly, *nayi soch* extends beyond product innovation to an entire different way of running the business.

## R&D differentiation

At Emami, product conceptualisation could easily have involved the simple exercise of copying what some of our successful competitors were doing. We selected to work harder instead. We invested extensively in research and development; we allocated a sizeable annual budget; we created a large facility to centralise research professionals; we charted out an ayurveda direction; we identified product directions; we outlined deadlines for prospective launch; we unambiguously highlighted our desired goal: '*Market ko hila dene waali baat!*'

When we launched a fairness cream for men in a segment where it was non-existent, we created history. Till then, most men found it convenient to use fairness cream for women and as we were about to launch our innovation, some well-meaning sceptics even indicated: '*Shaayad galat kar rahe hai*'. No man would want to go to the market and buy a tube of fairness cream. *Log kya kahenge?*

### SNAPSHOT

- EMAMI'S SUCCESS MANTRA – BE DIFFERENT, BE INNOVATIVE
- EMAMI EXCELS IN IDENTIFYING NEED GAPS AND ACCORDINGLY OFFERS PRODUCTS THAT HELP THE COMPANY REMAIN NUMBER 1 IN ITS CATEGORIES
- EFFECTIVE PRODUCT PORTFOLIO COUPLED WITH A DEEP DISTRIBUTION CHANNEL MAKING IT POSSIBLE FOR 120 EMAMI PRODUCTS BEING SOLD ACROSS THE WORLD EVERY SECOND
- FAVOURABLE MACRO-ECONOMIC INDICATORS ALONG WITH GST IMPLEMENTATION IS EXPECTED TO DRIVE FUTURE GROWTH

24,000

(₹ crore) in market capitalisation as on 31st March 2017





But we changed the popular habit. We brought men's grooming centre-stage. We created market. When people further saw Shah Rukh Khan endorsing the product, they felt '*Usko to koi sharm nahi aati cream laagane me, toh hamey kyun?*'

And that is how we opened out to a gold mine of opportunities in the male grooming segment that extended to the launch of our very latest innovation of the country's first-ever waterless face wash – 'HE-On the Go'.

When Emami decided to enter the already cluttered hair oil market, the offering had to be something completely different. Most of the competitors were offering oils with one or two ingredients. Our research team came in handy with another breakthrough innovation by combining the benefits of seven herbal ingredients into one product – Emami 7 Oils in One. The product has already carved out a niche for itself in the crowded hair oil market in India.

The other example of Emami's innovation was cool talc. No Indian company offered cooling element

in talcum powders and when Emami came out with Navratna Cool Talc, it took the market by storm. The unique positioning of '*duniya ka sabse chhota AC*' also helped in driving growth of the brand.

### Promotional differentiation

At Emami, it would have been simple to launch and say 'Now let the market take over'. We were obsessive; we wanted to capture and dominate consumer mind space; we had products endorsed by prominent sports-persons and film personalities. We got the average user into thinking that 'If it is good for them, then surely it must be good for us.' We were the first in the country to commence in-film promotion in the 80's. We enlarged the role of celebrity endorsements. We utilised diverse media. We combined and permuted schemes that made people say 'Let us try it out once. What is the harm?'

### Packaging differentiation

Emami wooed through differentiated packaging. The Company offered products in

attractive PET packages at a time when it was still fashionable to productise in tin tubes. It pioneered smaller sachets in the cool oil segment when competitors continued to trust larger unwieldy packaging options. We revolutionised the balm market by launching the Mentho Plus balm in a *dibbi*. In doing so, we didn't just reach out to an existing body of consumers; we took pride in having widened and deepened markets. We didn't just service customers, we created many.

### Strategic differentiation

At Emami, we believe that identifying the right opportunities at the right time is the key to disproportionate growth. A few years after we acquired Zandu, we acquired Kesh King. We perceived an operating leverage; we identified headroom within each company and space, we reckoned that the acquisitions would grow faster with the Emami cocktail and even though a number of industry observers quietly predicted 'Failure!' we are pleased to report that our acquisitions have proved value-accretive. We improved





the formulation, repackaged the acquired products, heightened the promotion, revisited product strategies, restructured the distribution channel and enhanced market footprint. The Result: The Zandu and Kesh King portfolios now account for more than 30% of our domestic revenues. Zandu offtake has trebled since acquisition and profits have increased manifold.

Emami transformed a challenge into an opportunity through a deep understanding of consumer need. We keep our ears to the ground to comprehend evolving consumer preferences. Besides, each consumer (housewife, farmer, banker, college student, rural consumer and urban buyer) behaves differently even as there are broad patterns that are common, providing us with a rich understanding of what to include in the core of our products.

**So, what are these products that we keep launching and transforming into winners?**

**Products that plug gaps that existing products do not.**

When BoroPlus was launched, there was already a category leader in the domestic market. We combined the goodness of ayurveda with contemporary packaging; the result was that we emerged as the leading player within a few years of launch and continue to command more than 75% market share three decades later.

One might assume that launching innovative products would have been enough; the skill lies in maximising consumer reach. In line with this, we created low unit packs marked by attractively low price points. We researched consumption patterns to create products easily consumable. For instance, a number of laxative options were available but their powdery form made them messy and inconvenient to use; we responded with Nityam Tablets that enhanced consumption convenience and the product proved an instant winner.

Thereafter, we enhanced consumer convenience through promotional activities – television commercials and product placements in fairs and festivals. The result: an enhanced awareness and quicker offtake. We created a network comprising more than 3,250 distributors, 6,500 sub stockists and 1,800 field sales personnel. The result is that Emami products are available off-the-shelf in more than 16,700 villages and towns where the population is less than 50,000.

The combined result of these initiatives has been a perpetually rejuvenating business model. Even as the country was struggling with a cash crunch following demonetisation in late 2016, Emami could hold onto its business on account of its positioning around 'necessary' over 'discretionary'.

The year 2016 was favourable as the seasons began and ended on time. Despite the consumer disruption following demonetisation, we succeeded in maintaining our business around margins higher than the industry average; we maintained our market share.

The GST implementation is expected to create a level-playing field for organised players in India, narrowing the unorganised sector. Our core brands have gained market share; our products launched in the last few years are expected to gain traction.

The future is here and we are ready.

**RS Agarwal | RS Goenka**



**16,700**  
Number of villages and towns where Emami's products are available (population <50,000)

We created a network comprising more than

**3,250**

distributors,

**6,500**

sub stockists and

**1,800**

field sales personnel.

Emami wooed through differentiated packaging. The Company offered products in attractive PET packages at a time when it was still fashionable to productise in tin tubes

# HIGHLIGHTS, FY17

## TURNOVER

- Consolidated Net sales at ₹2,533 crore grew by 5.6%
- Domestic sales at ₹2,142 crore grew by 9.6%
- International Business at ₹285 crore degrew by 15.7%
- Institutional Business at ₹105 crore grew by 1%

## PROFITS

- EBIDTA at ₹759 crore grew by 10.5%
- EBIDTA margin at 30.0% improved by 130 bps
- Cash Profit at ₹649 crore grew by 4.9%
- Cash Profit margin at 25.6% remained at par
- Cash EPS at ₹28.6 grew by 4.9%
- ROCE at 28.4% (on Cash Profit)
- ROE at 37.0% (on Cash Profit)
- Increase in SHE Comfort and Kesh King brand amortisation from ₹210 cr in previous year to ₹259 cr in current year resulted in a reduction of PAT & EPS by 6.4%

## COSTS

- Cost of goods sold at 34.5% of sales, decreased by 110 bps
- Advertisement and Sales promotion increased from ₹430 cr in FY16 to ₹443 cr FY17
- Amortisation of intangibles considered at ₹262 crore against ₹213 cr in the previous year

## STRATEGIC INITIATIVES

- **Sales**
  - Initiated "Project Race" to expand direct coverage in urban towns
  - Initiated "Project Dhanush" to enhance rural direct reach through Van Operations
  - Commenced Project SFA (Sales Force Automation)
- **Human resource**
  - Strengthened PMS system
  - Implemented SAP Success Factors for automation of HR services
  - Aggressively pursued Project Udaan for EBIDTA improvement across organisation

### New launches during the year

BoroPlus Perfect Touch Cream | Navratna Almond Cool Oil | Navratna i-COOL Talc | Fair & Handsome 100% Oil Clear Instant Fairness Facewash | HE Respect Deodorant | HE range of perfumes and deodorants | Kesh King Ayurvedic Medicinal Oil – with blend of coconut oil | HE-'On the Go' Waterless Face Wash