



emami*

EMAMI LIMITED | INTEGRATED ANNUAL REPORT

2019-20

COVER STORY

CHALLENGING TIMES. INSPIRING RESPONSES.

Page 20

Page 06

FOUNDERS' STATEMENT

**The disruption is
temporary; the resilience
is enduring.**



www.emamilttd.in

For a digital copy of the
Annual Report and other
related information, scan this
QR Code on your smartphone.



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.R. Batliboi & Co. LLP

Chartered Accountants

Directors

R.S. Goenka

K.N. Memani

Y.P. Trivedi

Rama Bijapurkar

P.K. Khaitan

C.K. Dhanuka

S.B. Ganguly

Amit Kiran Deb

Debabrata Sarkar

Mohan Goenka

Aditya V. Agarwal

Harsha V. Agarwal

Priti A Sureka

Prashant Goenka

Audit Committee

S.B. Ganguly, Chairman

R.S. Goenka

C.K. Dhanuka

Amit Kiran Deb

Nomination and Remuneration Committee

Amit Kiran Deb, Chairman

C.K. Dhanuka

S.B. Ganguly

Risk Management Committee

R.S. Goenka, Chairman

S.B. Ganguly

Sushil K. Goenka

Mohan Goenka

Harsha V. Agarwal

Priti A Sureka

Stakeholders' Relationship Committee

C.K. Dhanuka, Chairman

S.B. Ganguly

Mohan Goenka

Harsha V. Agarwal

Prashant Goenka

Corporate Social Responsibility Committee

Sushil K. Goenka, Chairman

Amit Kiran Deb

Mohan Goenka

Harsha V. Agarwal

Priti A Sureka

Prashant Goenka

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

Share Transfer Committee

Mohan Goenka, Chairman

Aditya V. Agarwal

Harsha V. Agarwal

Priti A Sureka

Buyback Committee

R.S. Goenka, Chairman

Sushil K. Goenka

Mohan Goenka

Harsha V. Agarwal

Our Presence

60+ Countries | 8 Factories (including one overseas unit)

4 Regional Offices | 26 Depots.

Bankers

ICICI Bank Ltd. | HDFC Bank Ltd.

HSBC Ltd. | 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, Email: mdpldc@yahoo.com

Registered Office:

Emami Tower, 687, Anandapur,

EM Bypass, Kolkata 700 107, West Bengal, India.

Tel : +91-33-6613 6264

Email: investors@emamigroup.com

Website: www.emamilttd.in

CIN: L63993WB1983PLC036030

EMAMI LIMITED | INTEGRATED ANNUAL REPORT 2019-20

“The disruption is temporary; the resilience is enduring.”

Page
06

Emami's Corporate office in Kolkata

1. About the Integrated Report	02
2. Editor's note	02
3. About Emami	03
4. Founders' statement	06
5. Board of Directors	10
6. 10-year Financial Highlights	12
7. MD's Statement	14
8. Performance strengthening initiatives, FY2019-20	18
9. Cover story	20



Emami Ltd. Annual Report 2019-20

MD&A and Integrated Report	26-71
10. MD&A and Integrated Report	26
11. Integrated Report: Risk Management	34
12. Integrated Report: Brand Capital	40
13. Integrated Report- Financial Capital	44
14. Integrated Report: Human Capital	46
15. Integrated Report: Intellectual Capital	50
16. Integrated Report: Social & Relationship Capital	54
16a. Emami's widening international footprint	56
16b. Emami's Modern Trade Presence	58
16c. Har Nukkad pe Emami!	60
17. Integrated Report- Manufacturing Capital	62
17a. Packaging it right!	64
17b. Supply Chain Management	66
18. Integrated Report - Natural Capital	68

Brand Review	72-83
19. Healthcare	72
20. Fair and Handsome	74
21. Pain Management	76
22. Navratna	78
23. Kesh King	80
24. BoroPlus	82
25. Emami's Community Capital	84
25. Awards and accolades	88
Statutory Section	89-324
Directors' Report	90
Corporate Governance Report	138
Business Responsibility Report	174
Standalone Financial Statements	183
Consolidated Financial Statements	252

ABOUT THE INTEGRATED REPORT

Introduction to the integrated report

The Integrated Report is a part of Emami Limited's (hereafter referred to as 'Emami') primary report to shareholders. This report reviews Emami's business model, risks, opportunities, operational and governance performance for the financial year ended 31st March, 2020.

Report boundary and scope

The Annual Report covers information on business operations disclosed through the six capitals enunciated by the International Integrated Reporting Council. In assessing the issues that materially impact value-creation, we have appraised beyond the financial reporting boundary to address the material interests of relevant stakeholders and address significant risks, opportunities and impacts associated with our activities over the short-term (less than 12 months), medium-term (one to three years) and long-term (beyond three years).

Reporting framework

The Annual Report has followed the International <IR> Framework as developed by IIRC (www.integratedreporting.org) and should be read in conjunction with the financial statements, included herein and the notes thereto. The financial and statutory data presented has been in accordance with the requirements of the Companies Act, 2013 (including the rules made thereunder), Indian Accounting Standards, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the applicable laws.

Materiality

This Report provides fair and balanced information about the relevant matters that substantively affect the Company's ability to create value including risks and opportunities or prospects. To identify material information or matters, the Company has taken a holistic perspective by regularly engaging with the various key stakeholders.

Assurance

The statutory auditors, M/s S.R. Batliboi & Co. LLP have provided assurance on the financial statements and the Independent Auditor's Report has duly been incorporated as part of the report.

Forward-looking statement

In this Annual Report, we disclosed the Company's objectives, expectations and forecasts to empower investors to 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 tried wherever possible to identify such statements by using words such as 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of prospective performance. Although we believe that we have been prudent in our assumptions, actual results could differ materially from those expressed in the statement. The achievement of results is subject to risks, uncertainties and inaccurate assumptions.

Note: All financial figures and growth data are based on Consolidated financials, unless otherwise stated. All market shares pertain to MAT December 2019 in volume terms

EDITOR'S NOTE

Dear shareholders,

We present the first Integrated Annual Report of Emami Limited. We believe that the time has come to extend beyond the conventional appraisal of corporate performance. This appraisal needs to be not as much about our topline and bottom-line but all factors influencing these visible indices.

The result is that our Annual Report has analysed all factors that have translated into our sustainability: Manufacturing Capital, Natural Capital, Financial Capital, Intellectual, Social & Relationship and Human Capital. The interplay of these capitals has translated into a sustained growth in net worth and other stakeholder-centric measures. Even as the Indian economy was affected by the slowdown, Emami prioritised research, product introduction, cost optimisation, footprint expansion, direct reach and modern trade expansion and digitalisation. We believe that our business model will be more relevant in a new world facing the challenge of COVID-19 as consumers invest more in hygiene, healthcare and wellness. Emami is positioned to capitalise and resume its multi-year growth journey.

Editorial Board

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

About Emami

Even as you are reading this, more than 130 Emami products would have been bought by consumers somewhere in the world.

Emami Limited is one of the most exciting Indian FMCG companies with a distinctive ayurveda focus.

The Company caters to a number of niche categories in the personal care and healthcare segments.

The Company has established a reputation for creating product categories from scratch and carving out a disproportionate share of those markets.

Our vision: Making people healthy and beautiful, naturally



OUR MISSION

- To contribute whole heartedly towards the environment and society integrating all our stakeholders into the Emami family
- To make Emami synonymous with natural beauty and health in the consumers mind
- To drive growth through quality and innovation in products and services.
- To inculcate the culture of inclusion and mutual trust with a commitment to their future, thereby developing and strengthening an emotional bond between the Company and its employees
- To uphold the principles of corporate governance
- To empower and encourage decision making ability at all levels of the organisation

Pedigree

- Promoted and founded by two childhood friends RS Agarwal and RS Goenka; commenced commercial operations in 1974
- Headed by the founders and the second generation promoters; supported by a team of professionals

Products

- Engaged in the manufacture and distribution of personal care and healthcare products (with an ayurvedic bias in most cases)
- The Company's Power Brands comprise Navratna, BoroPlus, Zandu, Fair and Handsome, Kesh King and Mentho Plus, among others.

Presence

- Headquartered in Kolkata, West Bengal
- Seven manufacturing units across India and one overseas unit
- 26 product storage depots across India
- 60+ countries where the Company's products are sold
- Listed on National Stock Exchange (scrip code: EMAMILTD), Bombay Stock Exchange (scrip code: 531162) and Calcutta Stock Exchange (scrip code: 018136)

We would strive...



To be part of every household in the country



To be a major player in every product category we venture into



To be one of the most respected marketers



To be recognised as a global brand

Key numbers, 2019-20

Revenue

2,655 ₹ CRORE

EBIDTA

691 ₹ CRORE

Cash Profit

639 ₹ CRORE

Permanent employees

3,215

Gross Margin

67.0%

EBIDTA margin

26.0%

Cash Profit margin

24.1%

ROCE (on Cash Profit)

31.4%

Cash EPS

14.1 ₹

Dividend per share

400%

Is there a future for Emami in a world facing the challenge of COVID-19?

We believe that the rationale of our existence will only be reinforced going ahead.

Most of Emami's products are not discretionary; over the last few decades, they have become essential.

Emami's products are not about the functional; they are about the experiential.

Emami's products are not just 'products'; they cater to the senses of smell, feel, appearance, immunity and well-being.

Emami's products are not cosmetic; they address the needs of health, hygiene and immunity.

Emami will remain relevant as long as people will want to feel good about themselves and stay healthy.

RS Agarwal and RS Goenka
Founders



RS Agarwal (right) and RS Goenka

FOUNDERS' STATEMENT

The disruption is temporary; the resilience is enduring.

Dear shareowners,

We are passing through one of the biggest upheavals in living memory.

The Novel Corona Virus (COVID-19) aggravated what, until the start of the last financial year, was only a cyclical slowdown. A farm sector slowdown affected rural consumption. A delayed winter affected the offtake of winter portfolio/products. A sluggish macro-economic environment resulted in a decline in consumer spending on discretionary products.

A combination of these factors affected the performance of the FMCG sector, which reported one of the slowest growth rates in years.

This slowdown affected the performance of Emami Limited as well.

Challenging times. Inspiring responses

Emami believes that the disruption is temporary and resilience is permanent. Emami believes that the disruption is temporary and resilience is permanent.

At Emami, we deepened our focus, working on the pharmacological studies of ayurvedic ingredients and reinforcing their efficacy, herb effectiveness, scientific data aggregation and global product acceptance. To strengthen our research, we collaborated with government research institutions and Ministry of AYUSH to introduce research-based products that targeted lifestyle diseases.

At Emami, we are convinced that the more sustainable companies are those that remain competitive across market cycles. In view of this, we initiated Project WOW (War on Waste) to moderate costs with the help of a global management consultancy. To enhance logistics efficiency, Emami optimised routes, reducing its carbon footprint.

At Emami, we believe that the wider the product availability, the stronger the offtake. We strengthened our distribution model by enhancing our presence across the modern trade and online retail channels to rationalise our dependence on general trade. We enhanced our direct reach, provided hand-held devices to our sales team members and strengthened our distribution coverage and analytics. In response to the growing need for modern trade formats (including e-commerce platforms), Emami launched platform-specific products and SKUs. Besides, we overhauled our global distribution channel in key geographies integrating the Creme 21 acquisition, consolidating key markets and strengthening our international business.

At Emami, we believe that sustainable companies possess strong brands that generate multi-year revenues. The Company introduced innovative brand extensions, strengthening their relevance across the seasons. Emami re-launched a number of products around improved formulations as well, generating excitement and renewed

▶ AGILITY OF RESPONSE

To address the growing demand for hand sanitizers following the outbreak of COVID-19, Emami launched hand sanitizers under its flagship antiseptic brand BoroPlus. Emami prioritised the launch of BoroPlus Advanced Anti-Germ Hand Sanitizer in the shortest time. This was followed by the launch of an Ayurvedic Hand Sanitizer under the Zandu brand and a hygiene products range under the BoroPlus brand.

vigour and building on an existing positive recall. In view of the growing demand for hygiene and immunity-boosting products following the outbreak of COVID-19, we launched a hygiene range under the BoroPlus brand and various immunity-building products like AYUSH Kwath Kadha and single herbs range / under the Zandu brand.

At Emami, we believe that businesses need the right architecture to remain sustainable. Emami leveraged its Family and Business Council structure; the apex family council comprised second generation Promoter-Directors, headed by the Founders, while the Business Council comprised the Founders, second generation Directors and professional business heads. These councils converged periodically to navigate business-strengthening decisions, an effective governance model.

Emami reinforced its position as a company that shares upsides liberally. Our Board approved a ₹192 crore buyback offer at a price not exceeding ₹300 per share. We believe that this buyback will reduce the number of shares outstanding, at a good price enhancing shareholder value across the future.

Outlook

Emami is adequately prepared to capitalise on sectorial opportunities. The Company's Power Brands possess attractive headroom, which could drive Emami's growth in a sustainable way.

Note of thanks

We must extend our gratitude to all our stakeholders for reposing their confidence in us.

The disruption may be temporary; the resilience is enduring.

We believe that this ongoing adversity opens opportunities to enhance stakeholder value.

RS Agarwal and RS Goenka
Founders

▶ At a glance

▶ The COVID-19 pandemic aggravated the FMCG sector slowdown

▶ Emami focused on countering challenges

▶ Emami built on strengths to capitalise on an upturn

▶ Promoters and professionals navigated the business direction

▶ Power Brands possess attractive headroom for sustainable growth