

The Emami of today is poised to climb into a higher orbit tomorrow, enhancing value in the hands of all those associated with our company.

accelerating growth



Corporate Information

| | | |
|--|---|--|
| Chairman Emeritus and Non Executive Director R.S. Agarwal | Directors K.N. Memani Y.P. Trivedi P.K. Khaitan C.K. Dhanuka S.B. Ganguly Amit Kiran Deb Debabrata Sarkar Mamta Binani Sushil K. Goenka Aditya V. Agarwal Priti A Sureka Prashant Goenka | Audit Committee S.B. Ganguly, Chairman R.S. Goenka C.K. Dhanuka Amit Kiran Deb Debabrata Sarkar |
| Non-Executive Chairman R.S. Goenka | | Nomination and Remuneration Committee Amit Kiran Deb, Chairman C.K. Dhanuka S.B. Ganguly |
| Vice Chairman and Managing Director Harsha V. Agarwal | | Risk Management Committee R.S. Goenka, Chairman S.B. Ganguly Sushil K. Goenka Mamta Binani Mohan Goenka Harsha V. Agarwal Priti A Sureka |
| Vice Chairman and Whole Time Director Mohan Goenka | | Stakeholders' Relationship Committee C.K. Dhanuka, Chairman S.B. Ganguly Mohan Goenka Harsha V. Agarwal Prashant Goenka |
| CEO- Finance, Strategy & Business Development and CFO N.H. Bhansali | Auditors S.R. Batliboi & Co. LLP Chartered Accountants | |
| Company Secretary & VP-Legal A.K. Joshi | | |
| 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. IndusInd 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 | | |

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EMAMI LIMITED | ANNUAL REPORT 2021-22



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Emami Ltd. Annual Report 2021-22

About this report

Introduction to the integrated report

This is Emami Limited's third Integrated Report, reflecting our performance and strategy aligned to the current business context. It encompasses both qualitative and quantitative disclosures regarding our financial performance, critical sustainability impact and socially inclusive endeavours conducted during the year.

The report is aimed at transparently communicating to our stakeholders, our business progress as well as reflecting our ongoing efforts to assess our most significant environmental, social and governance (ESG) impacts, risks and opportunities to further enhance our practices in the future.

Reporting frameworks

The financial statements and statutory disclosures including the Board's Report, Corporate Governance Report and Business Responsibility Report are presented in conformance to the requirements of the Companies Act, 2013 (and the rules made thereunder), Indian Accounting Standards, the Securities and Exchange Board of India (SEBI) – Listing Obligations and Disclosure Requirements, 2015 and Secretarial Standards issued by the Institute of Company Secretaries of India.

The non-financial section is guided by the International Integrated Reporting <IR> framework (including January 2021 amendments) published by the International Integrated Reporting Council (IIRC) (now the Value Reporting Foundation).

Reporting boundary and period

The FY 2021-22 Integrated Report covers financial and non-financial performance of the Company from 1st April 2021 to 31st March 2022. All financial figures and growth data are based on our consolidated financials, unless otherwise stated.

Materiality

This report provides information on all those realities that could have a significant influence on our ability to create and sustain value over the short, medium and long-term tenures.

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 a 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 our consolidated financials, unless otherwise stated.

Editorial Board

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

Editor's note

We are pleased to present this Annual Report. This edition encapsulates the story of a transitioning and transforming Emami in response to rapidly changing external realities. Today's Emami is a mix of conventional and modern functions; the conventional functions are being addressed through new processes; the modern functions are being driven for differentiated outcomes. The result is an Emami that continues to be driven by the prospect of consumer delight – if only to make it larger and more frequent. We hope you will find the report insightful, generating a deeper perspective into our Company.



Emami Tower, Emami's corporate headquarters in Kolkata



Emami's WHO GMP quality certified manufacturing unit in Masat, Dadra & Nagar Haveli



Production line at Emami's manufacturing unit at Abhoypur, Guwahati



Innovation resides at the core of Emami, empowered by a cutting-edge R&D focus

OUR VISION
Making people healthy and beautiful, naturally



Emami's state-of-the-art manufacturing unit in Pacharia, Guwahati



Emami's overseas manufacturing unit in Gazipur, Bangladesh

Background

- The Company, promoted and founded by two childhood friends R S Agarwal and R S Goenka, went into commercial operations in 1974.
- The Company is led by the founders and second-generation promoters, supported by a team of professionals.

Presence

- Emami is headquartered in Kolkata, West Bengal
- The Company has seven manufacturing units in India and one in Bangladesh

Products

- The Company is engaged in the manufacturing and distribution of Ayurvedic healthcare and personal care products
- The Company's prominent brands include Navratna, Zandu, BoroPlus, Kesh King, Fair and Handsome, Mentho Plus, 7 Oils in One and Dermicool, among others.
- >150 Emami products are sold every second across the world

- The Company has 26 product storage depots across India
- The Company's omni-channel presence ensures that products are available across major Modern Trade chains and e-commerce platforms

We strive...

- To be a part of every household in the country
- To be a key player in every product category we venture into
- To be one of the most respected and admired FMCG companies in the country
- To be acknowledged as a global brand

- The Company's products are sold in 60+ countries
- The Company is listed on National Stock Exchange (scrip code: EMAMILTD) and Bombay Stock Exchange (scrip code: 531162)

“FOUNDERS' STATEMENT

The good being made better ”

Dear shareowners,

If we had to encapsulate this entire annual report in three sentences, these would be:

One, the Indian economy is poised at its most exciting point in decades.

Two, the India consumer has access to the highest disposable income ever.

Three, Emami is at an attractive point, marked by a convergence of a range of future-facing initiatives.

The India story

The Indian economy grew 8.7% during the year under review following a decline of 7.3% during the previous financial year. The growth would have been stronger but for increased inflation and the outbreak of the Russia-Ukraine

war in the last quarter of the year under review. The India of today is more confident than ever, marked by a transformation in incomes, aspirations and willingness to spend.

An evolving consumer

In a post-pandemic world, a new India is emerging, marked by an increased propensity to spend on healthcare and natural products. There is a willingness to try the new, there is a lower price-sensitivity and, in a number of cases, there is an inclination to have purchases financed. Interestingly, the Indian consumer is buying more from the internet, helping shift the needle from conventional downstore retail outlets to e-marketplaces.



RS Agarwal (left) and RS Goenka



The market of today is marked by fleeting consumer preferences, willingness to attempt the new, growing appetite for brands that keep wowing consumers and FMCG industry aligned to the millennial mindset.



R S Agarwal

Emami at a cusp

Emami is completely relevant to this evolving world; its research-led products have always been benign, ayurveda-centric, providing a superior value proposition and offering a basket of products ranging from healthcare to personal care. The Emami of today combines scale with scope; it is among the largest and yet one of the most agile; it continues to reinvent itself and continues to stay relevant; it emphasises its core spirit of innovation through products and yet extends across categories; it draws on deep Indian roots and yet has emerged as a global Indian.

Building a new Emami

Even as we have been in business for more than four decades, we are engaged in building a new Emami in response to the rapidly transforming marketplace.

The market of today is marked by fleeting consumer preferences, willingness to attempt the new, growing appetite for brands that keep wowing consumers and an FMCG industry aligned to the millennial mindset.

At Emami, we are millennialising through a number of concurrent initiatives. Seldom in its existence has Emami been engaged in as many contemporary initiatives as it is now. The ferment of these initiatives is transforming its personality faster than ever, laying the ground for a reinvented corporation.

The Emami of the past invested sequentially in initiatives; the Emami of today is re-imagining the business across levels (research, product development, supply chain, distribution and marketing communication).

The Emami of the past trusted ground-level feedback; the Emami of today is driven by informed decision making derived from analytics.

The Emami of the past reached products to consumers through the conventional wholesaler route; the Emami of today is investing deeper in digital initiatives that are translating into a direct-to-customer access, circumventing intermediaries.

The Emami of the past conceived products marketed through brick-and-mortar stores; the Emami of today is not only marketing more

products through stores and e-commerce but also creating specific products exclusively for online sales.

The Emami of the past conducted its business with responsibility; the Emami of today has architected its business model around ESG, marked by socially inclusive growth, environmental stewardship, eco-consciousness and best-in-class governance standards.

The Emami of the past built patiently through reinvestments; the Emami of today seeks inorganic opportunities with the objective of profitable cash deployment and fast-track organisational growth. During the year under review, the Company acquired Dermicool in the prickly heat and cool talc category, which will generate incremental revenues under the Emami stable and an attractive payback.

The Emami of the past focused on deepening the relevance of its core brands; the Emami of today is leveraging Power Brands,

entering new categories and introducing new products - the good being made better.

Taking the newness ahead

It is only fitting that the newness in direction and speed be stewarded by new leaders. There is an executive leadership transition at the Company; we are moving from Executive to Non-Executive mentor roles, passing on additional responsibilities to Harsha V Agarwal and Mohan Goenka.

Acknowledgements

We take this opportunity to thank our Board of Directors, investors, consumers, associates, employees, frontline sales force and other stakeholders.

Our overarching message is that the new Emami is confident of accelerating growth, enhancing value for all stakeholders.

R S Agarwal and R S Goenka
Founders



The Emami of the past built patiently through reinvestments; the Emami of today seeks inorganic opportunities with the objective of profitable cash deployment and fast-track organisational growth.



R S Goenka

Board of Directors



R S Agarwal
Chairman Emeritus & Non
Executive Director



R.S. Goenka
Non-Executive Chairman



Harsha V Agarwal
Vice Chairman &
Managing Director



Mohan Goenka
Vice Chairman
& Whole Time Director



K N Memani
Independent Director



Y P Trivedi
Independent Director



P K Khaitan
Independent Director



C K Dhanuka
Independent Director



S B Ganguly
Independent Director



Amit Kiran Deb
Independent Director



Debabrata Sarkar
Independent Director



Mamta Binani
Independent Director



S K Goenka
Whole Time Director



Aditya V Agarwal
Non Executive Director



Priti A Sureka
Whole Time Director



Prashant Goenka
Whole Time Director

- © Chairman
- Ⓜ Member
- Audit Committee
- CSR Committee
- Nomination & Remuneration Committee
- Share Transfer Committee
- Risk Management Committee
- Corporate Governance Committee
- Stakeholders' Relationship Committee
- Finance Committee

10-year performance highlights

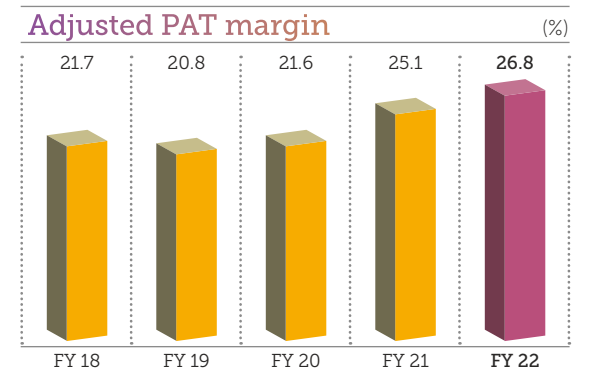
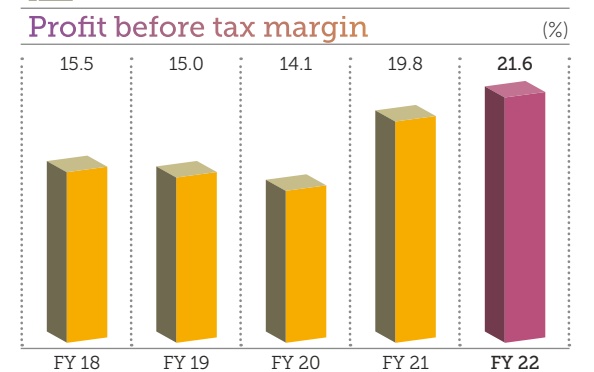
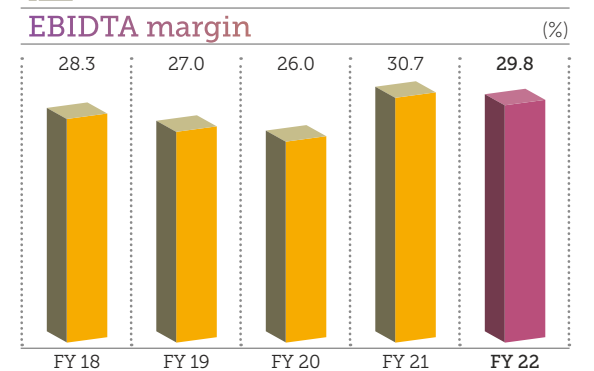
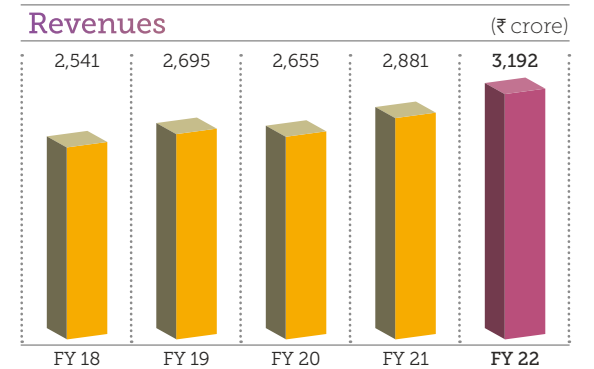
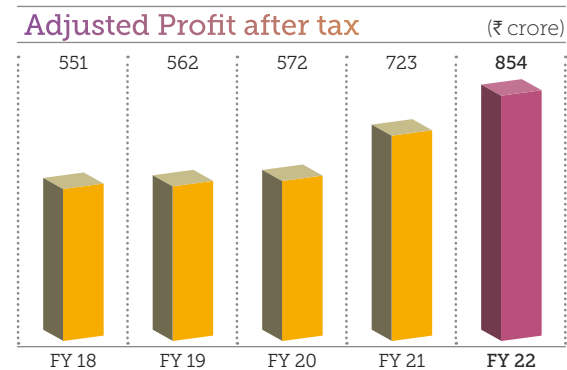
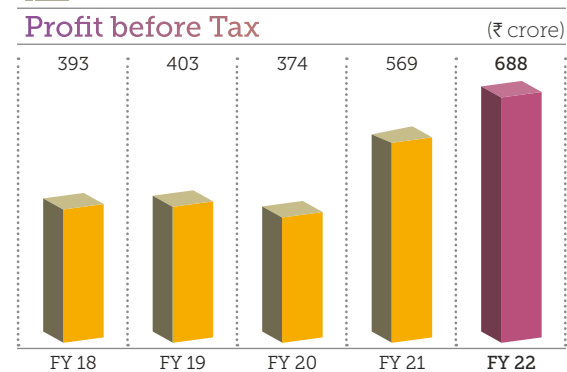
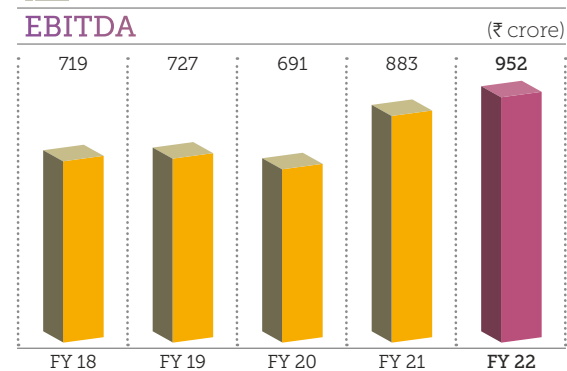
| | ₹ crore | | | | | | | | | |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| PARTICULARS** | FY 22 | FY 21 | FY 20 | FY 19 | FY 18 | FY 17 | FY 16 | FY 15 | FY 14 | FY 13 |
| A. OPERATING RESULTS : | | | | | | | | | | |
| Revenue from operations | 3,192.03 | 2,880.53 | 2,654.88 | 2,694.63 | 2,540.83 | 2,527.74 | 2,397.55 | 2,067.67 | 1,727.65 | 1,609.96 |
| EBITDA | 952.37 | 883.05 | 690.55 | 727.22 | 719.44 | 759.13 | 687.27 | 543.12 | 447.04 | 349.68 |
| PBT (after exceptional items & loss of associate) | 688.01 | 568.92 | 373.58 | 403.41 | 392.56 | 423.62 | 422.77 | 588.99 | 467.53 | 374.61 |
| PAT (attributable to owners) | 838.99 | 454.70 | 302.92 | 303.23 | 307.14 | 340.42 | 363.53 | 482.15 | 412.87 | 320.67 |
| Adjusted PAT [#] | 854.41 | 722.55 | 572.50 | 561.53 | 550.72 | 602.12 | 576.19 | 488.10 | 423.49 | 321.98 |
| B FINANCIAL POSITION : | | | | | | | | | | |
| Fixed Assets (Net Block) | 1,347.00 | 1,138.27 | 1,467.22 | 1,712.32 | 1,828.45 | 2,011.22 | 2,037.05 | 477.59 | 407.77 | 439.65 |
| Liquid investments | 39.52 | 88.91 | 68.33 | 7.86 | 128.06 | 33.32 | 11.93 | 496.57 | 289.22 | 156.34 |
| Other assets | 1,670.96 | 1,292.52 | 1,142.93 | 1,102.19 | 844.23 | 558.62 | 643.24 | 734.55 | 605.30 | 620.18 |
| Total assets | 3,057.48 | 2,519.69 | 2,678.48 | 2,822.37 | 2,800.74 | 2,603.16 | 2,692.22 | 1,708.71 | 1,302.29 | 1,216.17 |
| Equity share capital | 44.12 | 44.45 | 45.32 | 45.39 | 22.70 | 22.70 | 22.70 | 22.70 | 22.70 | 15.13 |
| Reserves & surplus | 1,802.15 | 1,718.20 | 1,778.43 | 2,030.67 | 1,990.91 | 1,732.00 | 1,588.91 | 1,289.34 | 874.01 | 763.48 |
| Net worth | 1,846.27 | 1,762.65 | 1,823.75 | 2,076.06 | 2,013.61 | 1,754.70 | 1,611.61 | 1,312.04 | 896.71 | 778.61 |
| Minority interest | (2.30) | (0.89) | (0.86) | (0.20) | 0.57 | 1.41 | 4.10 | 4.56 | 0.01 | 0.05 |
| LOAN FUNDS | 263.71 | 91.91 | 210.23 | 109.87 | 325.91 | 472.95 | 671.44 | 35.88 | 45.02 | 120.10 |
| Deferred tax (Net) | 11.82 | 4.16 | 3.46 | 16.04 | 14.67 | 28.16 | 9.04 | 22.12 | 4.79 | 13.68 |
| CAPITAL EMPLOYED | 2,119.50 | 1,857.84 | 2,036.58 | 2,201.77 | 2,354.77 | 2,257.22 | 2,296.18 | 1,374.60 | 946.53 | 912.44 |
| C. KEY RATIOS | | | | | | | | | | |
| ROE (%) (on Adjusted PAT) [#] | 46.28 | 40.99 | 31.39 | 27.05 | 27.35 | 34.31 | 35.75 | 37.20 | 47.23 | 41.35 |
| ROCE (%) (on Adjusted PAT) [#] | 40.31 | 38.89 | 28.11 | 25.50 | 23.39 | 26.68 | 25.09 | 35.51 | 44.74 | 35.29 |
| Debt - equity ratio | 0.15 | 0.06 | 0.12 | 0.05 | 0.16 | 0.27 | 0.42 | 0.03 | 0.05 | 0.15 |
| EBIDTA margin (%) | 29.84 | 30.66 | 26.01 | 26.94 | 28.32 | 30.03 | 28.67 | 26.27 | 25.88 | 21.72 |
| Adjusted PAT margin (%) | 26.77 | 25.08 | 21.56 | 20.84 | 21.67 | 23.82 | 24.03 | 23.61 | 24.51 | 20.00 |
| Interest cover | 137.72 | 43.87 | 18.78 | 19.85 | 12.44 | 8.30 | 8.82 | 115.57 | 87.85 | 58.02 |
| D. EQUITY SHARE DATA* | | | | | | | | | | |
| Earnings per share (₹) | 18.88 | 10.23 | 6.68 | 6.68 | 6.77 | 7.50 | 8.01 | 10.62 | 9.10 | 7.06 |
| Adjusted PAT per share (₹) [#] | 19.23 | 16.26 | 12.63 | 12.37 | 12.13 | 13.26 | 12.69 | 10.75 | 9.33 | 7.09 |
| Dividend per share (₹) | 8.00 | 8.00 | 4.82 | 4.19 | 4.21 | 4.21 | 4.21 | 4.15 | 4.09 | 3.12 |
| Book Value per share (₹) | 41.56 | 39.65 | 40.24 | 45.74 | 44.36 | 38.66 | 35.50 | 28.90 | 19.75 | 17.15 |

* Previous year EPS, DPS and Book value has been adjusted as per the present face value of ₹1 per share.

**All figures have been restated as per Ind AS

[#]Adjusted PAT = Reported PAT – MAT Credit Entitlement of earlier years + Exceptional Items + Amortisation of Kesh King & other brand related intangible assets

How we transformed in the last few years





From the desk of S K Goenka
Managing Director (FY 2021-22)

Q: How would you describe the Company's performance during the year under review?

A: It would be important to present the operating landscape first to get our shareholders to appreciate the nature of our performance. The business environment of the last two years affected the performance of the country's FMCG sector more than most people would be able to appreciate. There were direct and indirect impacts that manifested in a range of outcomes – logistics impairment, resource inflation, export delays and periodic consumer hesitation in discretionary spending. Despite these realities the Company reported a superior performance – growth remained profitable as revenues increased 11% while adjusted PAT grew by 18%.

Q: What was the fine print of this performance?

A: The Company's domestic business grew 11%. We believe that this outperformance has been credible in view of the

challenges we encountered. Within our domestic business segment, major brands like Pain Management grew by 18%, Kesh King grew by 11%, Healthcare grew by 9%, Male Grooming grew by 16% and 7 Oils in One grew by 29%. Besides, our BoroPlus brand grew by only 5% due to a higher incidence of hygiene-related offtake in the previous year while the Navratna range grew only 5% following sales loss as its peak season coincided with the second pandemic wave.

The reason I am mentioning these brand-wise growth numbers is to showcase the reality that your Company's growth was not derived out of the disproportionate success of a couple of brands but a broadbased performance during the year, a validation of the Company's responsible focus on each. The message that we wish to send out is that each of these brands outperformed their respective spaces and held on or improved their ranks within. We believe we have

created a number of growing properties within the Company, which should keep delivering sustainable year-on-year growth. I am pleased to communicate that these attributes of the Company delivered successfully during a challenging year as the last one.

Q: How else did the Company build its business in a distinctive manner during the last financial year?

A: At Emami, we believe that growth in our business can be derived through three initiatives – organic growth through existing products, introduction of new products and the acquisition of new brands. We focused on all three initiatives, validating our commitment to explore all possibilities to grow our business in a sustainable way.

Let us start with the organic growth of our domestic business. During the year under review, we are pleased to communicate that all our domestic sales channels posted attractive growth. Our conventional business was driven by a wider and deeper distribution coverage.

We believe that the world is moving towards convenience-driven platforms. Your Company was nimble enough to capitalise on this consumer transition. In this respect, our Modern Trade revenues grew 17%; our e-commerce focus doubled revenues and contributed 5.5% to our domestic business (2.8% in the previous year).

Q: What about the Company's decision to introduce new brands?

A: At Emami, we recognise that disproportionate revenue increases happen when we introduce new products. The objective behind these launches is to address unmet needs and build attractive offtake within months or initial years of launch. Our objective is not merely to

introduce products that compete in a crowded marketplace; our objective is to create new consumption habits and markets.

The Company did well in this regard during the last financial year. We introduced products like BoroPlus Soft Ayurvedic Antiseptic Cream, HE Active range of Deodorants, Kesh King Anti Dandruff Shampoo and e-commerce-specific launches like Creme 21 range, Navratna Therapy range, Fair and Handsome Hexapro Professional Range and more than 20 products under the Zanducare web portal. Besides, the Company launched campaigns featuring prominent actors like Ajay Devgn, Shilpa Shetty, Sonu Sood, Ayushmann Khurrana, Nushratt Bharuccha and Khali, enhancing consumer recall and brand association. I am pleased to communicate that the Company's new and recent product launches accounted for 3% of the Company's domestic revenues during the year; we are optimistic that these launches will be followed by higher year-on-year growth as consumer habits deepen and our marketing spends increase.

Q: This brings us to the third initiative of FY 2021-22 that needs to be discussed – the Company's decision to acquire a new brand.

A: At Emami, we have always invested in brand acquisitions from various perspectives. Such acquisitions are intended to drive revenue growth, suitably utilise our spare cash and plug gaps within our products profile. In March 2022, we responded to one such opportunity through the acquisition of 'Dermicool', a leading national brand in the Prickly Heat and Cool Talc segment. The brand was acquired from Reckitt Benckiser Healthcare India Pvt Ltd for ₹432 crore (excluding taxes & duties). We believe that this acquisition will prove value-accretive for

good reasons – it was funded through our accruals so that we were not loading the Company's Balance Sheet for this acquisition. Besides, the acquisition will empower the Company to emerge as a leader in this niche category. The acquisition will help the Company optimise procurement costs, broaden its category presence and leverage the Company's branding competence. The result is that we are optimistic of generating a superior return on the acquisition, enhancing value for our shareholders.

Q: What is that one decision that you feel will translate into a sustained improvement in the Company's performance?

A: At Emami, we continue to prioritise the role of distribution. In a country as vast and as populous as India, the challenge is not as much in branding and manufacturing as much as in placing the product just where the consumer needs it. Despite being in this business for more than four decades, we find that distribution continues to our last frontier – partly because consumption points are beginning to change with new prosperity pockets emerging; besides, there are locations in the interiors where Emami products are being distributed by resellers and where we need to establish a direct presence.

It is with this priority that the Company continued to emphasise Project Khoj during the last financial year, an initiative marked by the addition of 8000 rural towns to our direct distribution network, taking the total tally to 40,000 towns. The result is that we not only sold quicker but also sold more profitably. We intend to double our rural coverage to 60,000 towns in 13 States in three years, broadbasing coverage and seeding locations with Emami products for the first time.

The Company recognised that the key to long-term sales sustainability would be derived from relationship-driven sales engagements. The result is that the Company launched outlets for healthcare products, focusing on Ayurvedic bhandars and *chikitsalayas*. The Company also rolled out Project Sirius as a pilot project in select cities wherein the Company launched an upsell and cross-sell application for the frontline sales team, which empowers our sales representatives through app-driven suggestions. The Company will introduce more such technology-based distribution initiatives to accelerate offtake.

Q: How did the Company build on this conventional distribution footprint?

A: At Emami, we believe that it is imperative to enhance convenience in the consumer's access to our products. The days of consumers going from shop to shop to buy are over; all our products need to be conveniently available in one place. We created a separate structure and activation programs for around 12000 Standalone Modern Trade stores and expanded our reach to 40 cities and more than 3,300 outlets.

As India's consumer profile is driven by millennials, we see our products being purchased more off the shelves in large stores of malls where consumers can inspect them closely and comprehensively. We also believe that a growing percentage of Emami products will be sold online, circumventing bazaar visits. The Company launched D2C websites for Zandu, BoroPlus and Kesh King; its products are widely available on major eB2B platforms like Udaan and JioMart.

The interesting feature of our approach was that we didn't just launch products that

were later marketed online; we launched and marketed ecommerce-specific products (Onion Range under Kesh King, Gold and Therapy range under Navratna and various healthcare products under Zandu). The proportion of our online sales increased from 2.8% to 5.5% and I repeat: the numbers appear low today but we are investing disproportionately in enhancing our online visibility and we believe that a growing percentage of our offtake will be sold through e-commerce marketplaces. We are optimistic that the superior consumer experience will translate into our brand upside, inspiring the recall for a holistically superior experience – from purchase to product use.

Q: The one area at Emami that is attracting attention is the international business.

A: A few years ago, Emami recognised the need to rethink its international approach to enhance effectiveness. The conventional approach was to allocate a certain part of the production of India to the global markets on the basis of the marginal costing approach. I wish to communicate with clarity that this approach is now over.

One, the Company continued to service global markets with products that they need, enhancing our product relevance.

Two, we research global trends and manufacture selectively in the global markets – an international product for an international need derived from an international location.

Three, the Company acquired global brands for global markets, deepening our international orientation.

Four, we deepened our focus on top 15 countries (~85% of global revenues) where key brands like Navratna, 7 Oils in One, Fair and Handsome, BoroPlus, Creme21, Kesh King etc. have achieved leadership positions in their respective segments.

Five, we created an effective federal structure where we empowered teams across countries, making it possible for decisions to be taken quicker and closer to the ground.

Six, we localised our supply chains instead of sourcing all products from India, entering into proprietary as well as third party manufacturing arrangements in Bangladesh, Germany, Sri Lanka, Thailand and UAE.

Seven, we address this global footprint with a widening portfolio, launching an entire oils range in Bangladesh.

I am pleased to communicate that these various strategies have begun to pay off. The Company's international business grew 5% during the year under review despite geopolitical challenges and a larger base of hygiene products sold in the previous year. This growth in our International business was catalysed by geographies like Bangladesh in the SAARC region and Africa and South East Asia.

Q: One of the biggest threats to business growth is inflation. There is a threat that periodic price increases could affect the price-value proposition of the Company's brands.

A: I have no hesitation in accepting that resource inflation is not just our corporate challenge but a global problem. Inflation corrodes disposable incomes, resulting in consumers downtrading at best or deferring purchases at worst, both

affecting our prospects.

In such a challenging environment, the only way we could effectively counter the price increase was by looking within – optimising spends and reducing costs through value engineering. The result was that some cost increase was absorbed by the Company during the last financial year; a part of the increase was passed to consumers through calibrated price increases. There was a corresponding impact on our operational numbers: EBITDA margin declined 90 bps to 29.8% and raw material cost as a proportion of our revenues increased 150 bps to 33.8%.

Q: How is the Company building for the future?

A: During the year under review, Emami made a significant decision: The Board of Directors respected the desire of our founders Mr R S Agarwal and Mr R S Goenka to step down from their executive positions and hand over business responsibilities to the next generation, while continuing to stay on the Board. This was done to empower the next generation to take the business ahead.

In line with this decision, the Board unanimously appointed Mr. R S Goenka as Non-Executive Chairman while re-designating Mr. R S Agarwal as Chairman Emeritus from 1st April 2022. The Board also acceded to my desire to step down as the Managing Director. The Board re-designated Mr. Harsha V Agarwal and Mr. Mohan Goenka as Vice Chairman cum-Managing Director and Vice Chairman-cum Whole Time Director respectively from 1st April 2022. We expect the young leadership to drive the Company's growth from this point onwards.

Leadership team with the founders



Sitting (left to right): R S Agarwal, Aditya V Agarwal, Priti A Sureka and R S Goenka
Standing (left to right): Harsha V Agarwal, Prashant Goenka, Manish Goenka and Mohan Goenka

Cover story

Accelerating Growth

Overview

In a challenging economic scenario, the Company is faced with a basic challenge: consumers do not increase their consumption of a specific product because they earn more. The hair oil that one uses will not change over time; the quantum of cream applied on the face will generally not increase only because an individual climbs into another economic station. In this reality lies the sceptre of static sales; in this reality also lies the seed of insecurity that makes Emami work harder.

The Company has been driven

by this insecurity. The result is that when Emami sells a product to an individual, what it asks itself is: Are there more people at home who can use the same product? Can the individual buy larger SKUs that translates into superior family value? Can the Company inspire the consumer to feel good or better that makes that individual reach out to more such products? Can the Company provide that individual with a range of Emami products from a single location? Can the Company inspire that individual to attempt new products that it may have launched? Can that individual have a positive opinion

when someone asks why his/her skin is looking fresh or why he or she is feeling good about herself?

The Company believes that if it never loses sight of the fact that it still possesses the spirit of a 'start-up' within the size of a titan, it will not be as much worried about where growth will come from; it will always go out and generate growth from the humdrum of the marketplace.

This is what Emami has always done; this is what it did in a challenging FY 2021-22 as well; this is what the Company expects to do across the foreseeable future.

Performance of the last year

Emami Limited reported 11% growth in revenues to ₹3,192 crore in the last financial year. The Company delivered 8% EBIDTA growth and a 21% increase in profit before tax, though it must be remembered that the improvement came on higher percentage growth reported in the last financial year (especially in the last three quarters when growth more than made up for the lockdown-induced sluggishness of the first quarter). Even as the compounded EBIDTA growth of the last two years was 17%, compounded PBT growth during the same period was an attractive 36%. Besides, the Company reported an EBIDTA margin that

was virtually around the level of the previous year; the PBT margin strengthened 180 bps to 22% despite the challenges of the year.

The performance of the Company was creditable for the following reasons: the second wave of the pandemic resurged in the first quarter, there was a sharp increase in resource costs in the third and the fourth quarters that could not be immediately passed on to consumers; there was a disruption in our supply chain following a decline in the availability of shipping containers that affected inter-country movements of resources and end products; there was an increase

in freight that affected budgets.

The Company recognised that even as much of these factors lay outside its control – and could be at best moderated with some value-engineering – the only decisive way to counter these unprecedented realities was by going out and selling more. In fact, the most decisive initiative that the Company successfully implemented in the last few years was the capacity to find new ways to sell in new places to sell with new products to sell. This approach has driven its growth in the past and did so again during a challenging FY 2021-22 and is expected to sustain across the foreseeable future.

Selling more

In the Company's business where products enjoy a virtually universal application – there is no one for whom it does not have something to sell – there is a premium on reaching consumers widest, quickest and at the lowest cost.

This approach provides the Company with a scalable platform where its focus is to enhance wallet share per customer and find more customers. The key to achieving both lies in accessing India wider and deeper. The country is an attractive market with a multi-year sales growth possibility. India is the seventh largest land mass in the world populated by the second largest cluster of individuals and by far the largest nation of rural under-consumed people.

In this attractive market, success is derived from the ability to go deeper into relatively under-consumed territories, build robust sales lines, push a larger number of products through the sales pipeline and build long-term sales platforms to graduate



the Company to another level.

Some broad strategic drivers have the ability to prospect these markets through low unit packs (LUPs), vernacular promotion, communication of product attributes around memorable catchlines and engagement of brand ambassadors with pan-India appeal. In a rural India driven increasingly by internet access – there are more internet consumers in rural India than urban – there is a premium on promoting products through the social media that can be accessed

through the smartphone and providing aspiring consumers with the means to look and feel better.

India's rural landscape is the last consumer frontier, marked by various economic layers and product preferences. It is this landscape that provides a company like Emami with prospects of sustainable growth from this point onwards. The Company has been engaged in various initiatives in the last few years to deepen this presence and sustain its growth spirit.