



# Quick Insight Update

**Q3FY23 Highlights**

- Consolidated revenues grew to ₹983Cr by 1.2% and by 7% on a 3 year CAGR basis in Q3FY23.
- Domestic sales grew by 1% YoY. International business continued to grow by 7% quarter on the back of good performance across most markets.
- EBITDA declined 14% in Q3FY23 to ₹294Cr due weak rural demand and delayed winter.
- Reported PAT grew 7% in Q3FY23 to ₹233Cr due to lower tax incidence.
- Helios Lifestyle Pvt. Ltd (The Man Company) became a Subsidiary of Emami Ltd w.e.f. 1<sup>st</sup> July'22 and contributed 2.8% to consolidated net sales in Q3 and 2.2% in 9MFY23.
- Dermicool contributed to 2.2% to Consolidated Net Sales in 9MFY23

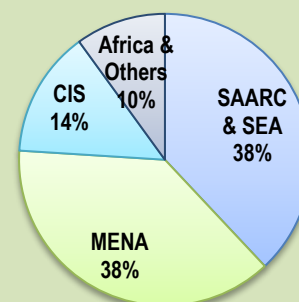
**Concall Highlights**

- During the quarter, demand patterns for the FMCG sector remained sluggish, with rural markets experiencing continued demand pressure. Further, a warmer winter season across the country impacted sales even more.
- **Gross Margin** – In Q3FY23 Gross margins at 65.9% contracted by 150 basis points due to inflationary pressure and favourable portfolio mix last year.
- With higher other expenses and employee expenses led to a sharp decline in OPM to 29.9% from 35.2% in Q3FY22 however, it expected to improve from Q4FY23. Operating profit decreased by 14% y-o-y to ₹294.3Cr. Reported PAT grew 7% in Q3FY23 to ₹233Cr due to lower tax incidence.
- **Ad spends** declined 3.2% YoY to ₹153Cr Ad spends as % of sales reduced to 15.6% from 16.3% in Q3FY22
- **New Products** – contribution from NPDs is roughly about 4% to overall domestic business. Once the inflation comes down, markets should also pick up, and company have a significant good pipeline of NPDs. 7 Oils in One Organics range introduced in MT (launched on eCom in Sep'22). New TVC launched for Fair and Handsome Cream and Facewash in Q3 highlighting functional benefits.
- **Both Modern trade and e-commerce** continued to perform exceedingly well, to post a growth of 20% and 45% respectively. In Q3FY23, the contribution of Modern Trade and e-commerce channel increased to 18.4% of domestic revenues against 16.5% in Q2FY22.
- **Distribution** initiatives continued to progress with additional 9000 rural towns in FY22 through Project Khoj taking the total to 42,000 towns and expecting to reach 50,000 towns by FY23.
- **Digital Platform** – The company continued to leverage the digital platforms with targeted campaigns and engaged various influencers to promote its brands. Digital First brand comes at a premium. 7 Oils in One is almost at a premium of around almost 50%, 60% premium to existing range. The company see a strong growth potential for Zanducare, given the fact that many consumers are now moving to buying online.
- **International Business** grew by 7% during the quarter despite geopolitical issues in Ukraine, Sri Lanka and Nepal. For 9MFY23, it grew 20% as Bangladesh, UAE and Russia performed well.
- The management eyes double-digit growth in the medium term (10-12% in FY24) through improved growth in the hair oil and skincare categories, expansion in distribution network (especially in rural markets) and sustained strong growth in key

Nifty	17,722
Sensex	60,286
<b>Key Stock Data</b>	
CMP	₹413
Market Cap (₹ bn)	~₹182
52W High/Low	525/394
<b>Shareholding pattern (%) Dec'22</b>	
Promoter	54.27
FII	11.25
DII	27.02
Public & Others	07.47

Source: Company Data, Way2Wealth Research

**International Business**  
Region wise sales contribution  
(9MFY23)



Source: Company Data, Way2Wealth Research

channels such as modern trade/e-commerce.

- The management expects margins to improve from Q4 as key commodity prices corrected from its highs
- The company has declared second interim dividend of ₹4 per share

### Profitability

Q3FY23	₹ Cr	Growth over Q3FY22	Q3FY23 margins	3 year CAGR
Revenues	983	1%	-	7%
Gross Profit	647	-1%	65.9%	5%
EBITDA	294	-14%	29.9%	4%
Reported PAT	237	8%	24.1%	16%

Source: Company Data, Way2Wealth Research

### Segmental Performance

	Q3FY23	9MFY23	
Products	Sales Growth		3 Year CAGR (Q3)
BoroPlus Range	-3%	3%	5%
Pain Management Range	-2%	-15%	6%
Kesh King Range	-1%	1%	4%
Navratna Range	-6%	11%	
Male Grooming Range	-1%	10%	
Healthcare Range	2%	-12%	8%

Source: Company Data, Way2Wealth Research

- Due to the muted demand environment, Navratna range declined by 6% and Kesh King range declined by 1% whereas Healthcare range witnessed growth of 2%
- 7 Oils in One Organics range introduced in MT (launched on eCom in Sep'22). New TVC launched for Fair and Handsome Cream and Facewash in Q3 highlighting functional benefits.

### Risk

- Slowdown in the economy
- Inflationary raw material prices

### View

Going ahead, management is optimistic of delivering sustainable growth on account of correction in input prices and expecting an upward curve in the consumer sentiments in the near future. The management eyes double-digit growth in the medium term through expansion in distribution network (especially in rural markets) and sustained strong growth in key channels such as modern trade/e-commerce.

The company remains committed to grow through various initiatives like newer launches, expanded reach and increased digital presence through e-commerce channels.

**The company is currently trading at a P/E multiple of 22.1x TTM EPS of ₹18.8. The Emami stock has corrected by around 21% from its 52-week high and investors can use this opportunity to Add this stock on corrections.**



## Consolidated Financials

(₹Cr)

Particulars	Q3FY23	Q3FY22	VAR [%]	Q2FY23	VAR [%]	9MFY23	9MFY22	VAR [%]
<b>Net Sales</b>	<b>982.7</b>	<b>971.1</b>	<b>1.2%</b>	<b>813.8</b>	<b>20.8%</b>	<b>2,569.8</b>	<b>2,419.0</b>	<b>6.2%</b>
Other Income	6.9	16.6	-58.7%	42.0	-83.7%	55.2	65.0	-15.1%
<b>TOTAL INCOME</b>	<b>989.6</b>	<b>987.7</b>	<b>0.2%</b>	<b>855.7</b>	<b>15.6%</b>	<b>2,625.0</b>	<b>2,484.0</b>	<b>5.7%</b>
Raw Material Consumed	234.2	242.8	-3.5%	247.7	-5.4%	645.3	672.9	-4.1%
Purchase of stock in trade	62.1	48.0	29.3%	75.4	-17.6%	203.3	118.9	71.0%
Stock Adjustment	39.3	25.4	54.4%	(51.4)	-176.3%	49.6	(6.3)	-888.9%
<i>RMC as a %age of sales</i>	<i>34%</i>	<i>33%</i>		<i>33%</i>		<i>35%</i>	<i>32%</i>	
Employee Expenses	93.4	72.4	29.1%	93.5	0.0%	275.7	238.9	15.4%
<i>EPC as a %age of sales</i>	<i>9.4%</i>	<i>7.3%</i>		<i>10.9%</i>		<i>10.5%</i>	<i>9.6%</i>	
Advertisement & Publicity	153.3	158.3	-3.2%	141.5	8.3%	431.0	373.4	15.4%
<i>Advertisement as a %age of sales</i>	<i>15.6%</i>	<i>16.3%</i>		<i>17.4%</i>		<i>16.8%</i>	<i>15.4%</i>	
Other Expenses	106.3	82.7	28.4%	111.9	-5.0%	306.9	232.9	31.8%
<i>Other Expenses as a %age of sales</i>	<i>10.7%</i>	<i>8.4%</i>		<i>13.1%</i>		<i>11.7%</i>	<i>9.4%</i>	
<b>TOTAL EXPENDITURE</b>	<b>688.5</b>	<b>629.5</b>	<b>9.4%</b>	<b>618.4</b>	<b>11.3%</b>	<b>1,911.8</b>	<b>1,630.7</b>	<b>17.2%</b>
<b>EBIDTA</b>	<b>294.3</b>	<b>341.5</b>	<b>-13.8%</b>	<b>195.4</b>	<b>50.6%</b>	<b>658.0</b>	<b>788.3</b>	<b>-16.5%</b>
<i>EBITDA Margins %</i>	<i>29.9%</i>	<i>35.2%</i>		<i>24.0%</i>		<i>25.6%</i>	<i>32.6%</i>	
Interest	1.8	1.8	-3.3%	1.8	0.6%	6.0	3.3	85.2%
<b>PBDT</b>	<b>299.3</b>	<b>356.3</b>	<b>-16.0%</b>	<b>235.6</b>	<b>27.0%</b>	<b>707.1</b>	<b>850.0</b>	<b>-16.8%</b>
Depreciation	47.2	84.4	-44.1%	47.9	-1.4%	183.3	251.3	-27.1%
<b>Profit Before Tax</b>	<b>252.1</b>	<b>271.9</b>	<b>-7.3%</b>	<b>187.7</b>	<b>34.3%</b>	<b>523.9</b>	<b>598.7</b>	<b>-12.5%</b>
Share of (Loss) of associates	0.6	3.3		2.2		7.1	8.7	
<b>PBT</b>	<b>251.5</b>	<b>268.6</b>	<b>-6.4%</b>	<b>185.5</b>	<b>35.6%</b>	<b>516.7</b>	<b>590.1</b>	<b>-12.4%</b>
Tax	47.5	49.2	-3.4%	29.1	63.4%	88.6	107.7	-17.8%
Fringe Benefit Tax/Deferred	0.7	(0.1)	-1216.7%	(2.3)	-129.3%	(1.6)	(0.1)	1925.0%
MAT credit entitlement	(29.7)	0.0	-	(21.4)	38.7%	(51.1)	0.0	-
<i>Tax Rate</i>	<i>7.3%</i>	<i>18.1%</i>		<i>2.9%</i>		<i>6.9%</i>	<i>18.0%</i>	
<b>Reported Profit After Tax</b>	<b>233.0</b>	<b>219.5</b>	<b>6.1%</b>	<b>180.1</b>	<b>29.3%</b>	<b>480.8</b>	<b>482.5</b>	<b>-0.3%</b>
<i>PATM %</i>	<i>23.7%</i>	<i>22.6%</i>		<i>22.1%</i>		<i>18.7%</i>	<i>19.9%</i>	
Other Comprehensive Income	(22.0)	(26.6)		19.2		(24.0)	7.6	
<b>Total Comprehensive Income</b>	<b>211.0</b>	<b>192.9</b>	<b>9.4%</b>	<b>199.3</b>	<b>5.9%</b>	<b>456.8</b>	<b>490.1</b>	<b>-6.8%</b>
Basic:								
<b>EPS</b>	<b>5.24</b>	<b>4.94</b>	<b>6.1%</b>	<b>4.05</b>		<b>10.82</b>	<b>10.85</b>	<b>-0.3%</b>
Equity	44.5	44.5		44.5		44.5	44.5	
Face Value	1.0	1.0		1.0		1.0	1.0	

Source - Company Data, Way2Wealth Research

08<sup>th</sup> February 2022**Disclaimer**

**Analyst Certification:** I, Ashwini Sonawane, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed Ashwini Sonawane, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

**Disclosure of Interest Statement in Emami Ltd. as on 08<sup>th</sup> February 2023**

Name of the Security	Emami Ltd.
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
Way2Wealth ownership of any stock related to the information contained	NIL
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.