


**emami limited**

Making people healthy &amp; beautiful, naturally

**Q2FY24 Highlights**

- Consolidated revenues grew to ₹865Cr by 6% YoY. Domestic sales grew by 4% YoY with domestic volume growth of 2% YoY. International business continued to grow by 16% YoY on the back of good performance across most markets.
- EBITDA grew 20% in Q2FY24 to ₹234crs. EBITDA margin expanded 300bps to 27% YoY. Reported PAT was flat at ₹180crs. PAT grew 19% excluding one off other income amounting to ₹33.85crs in the base quarter (on account of fair valuation gain of Helios Lifestyle)
- For H2FY24, consolidated revenue grew 7%YoY to ₹1960crs. EBITDA grew 15% YoY to ₹424crs with 190bps margin expansion.

**Concall Highlights**

- In the summer portfolio, Navratna range grew by 12% YoY. New variant of Navratna Cool 'Talc-Arcitc Blossom' was well received in the market and company has received good response for ₹10 SKUs for Dermicool products. The pain management range was flat in Q2 at 1% YoY while for H1FY24 it grew 6% YoY.
- The healthcare range registered 4% y-o-y growth, aided by high single-digit growth in OTC portfolio. BoroPlus range declined 4% YoY and flat for H1FY24. Kesh King Sales were impacted by a slowdown indiscretionary consumption and a high base of growth in Q2FY23, leading to a negative growth of 5% y-o-y Q2FY24. The male grooming range, being discretionary in nature, posted negative growth of 7% y-o-y in Q2FY24.
- The Man Company and Brillare witnessed robust growth of 63% YoY in Q2FY24
- Gross margin improved ~350bps YoY to 70.1% due to moderation in input cost and better product mix. Management expects some incremental benefits of gross margins to be invested in ad-spends to drive growth with scope for ~200-250bps perating margin expansion in FY24. Advertising spends as % of revenue stood at 17.9% in Q2FY24 vs 17.4% in Q2FY23.
- Management indicated that rural markets are still facing challenges however, pickup in rural demand is expected on account of various new launches under Zanducare, govt spending and company's investment through KHOJ initiative.
- **New Products** – contribution from NPDs is roughly about 4% to overall domestic business. The company has launched Creme21 brightening range (cream and lotion with UV protection) in international market and digital first products in Q2 on Zanducare portal. Also launched new thematic campaign 360° activation for Fair and Handsome cream - 'Ab Duniya TumhePehchanegi', featuring Salman Khan.
- Both Modern trade and e-commerce continued to perform exceedingly well. Modern trade and e-commerce registered 18% and 50% y-o-y growth, respectively.
- Distribution initiatives continued to progress with additional 31000 chemist in FY23 taking the total to 130000. Through Project Khoj the company have reached 60,000 towns and focusing on building scale at existing outlets
- The international business delivered CC y-o-y growth of 16% led by double digit growth in Nepal, Sri Lanka, and GCC regions, respectively. Bangladesh grew in high single digits on a constant currency basis. IN CIS region, sales were impacted due to currency depreciation in Russia and Geopolitical disturbances.
- Emami promoters have completed the divestment of AMRI Hospital, leading to a reduction in the promoter pledge from 30% to 15%. Also declared interim dividend of ₹4/ per share (Face Value ₹1/per share).

**Important Data**

|                  |          |
|------------------|----------|
| Nifty            | 19,390   |
| Sensex           | 64,812   |
| CMP              | ₹519     |
| Market Cap (₹bn) | ₹22,670  |
| 52W High/Low     | 582/341  |
| Shares o/s (crs) | 43.6     |
| BSE Code         | 531162   |
| NSE Code         | EMAMILTD |
| Bloomberg Code   | HMN:IN   |

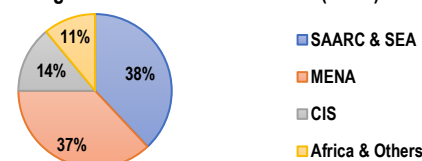
**Shareholding Pattern (%) – Sep'23**

|                |       |
|----------------|-------|
| Promoter       | 54.84 |
| FII            | 11.90 |
| DII            | 25.21 |
| Public &Others | 08.05 |

**Financials**

| Particulars   | FY21  | FY22  | FY23  |
|---------------|-------|-------|-------|
| Revenues      | 2,881 | 3,187 | 3,406 |
| YoY Growth    | 9%    | 11%   | 7%    |
| EBITDA        | 880   | 938   | 855   |
| EBITDA Margin | 31%   | 29%   | 25%   |
| PAT           | 455   | 837   | 627   |
| PAT Margin    | 16%   | 26%   | 18%   |
| EPS           | 10.2  | 19.0  | 14.5  |
| PE            |       |       |       |

Source: Company, Way2Wealth

**International Business  
Region wise sales contribution (FY23)**


Source: Company, Way2Wealth

**Relative performance**

| Return(%) | 1Yr  | 3Yr   | 5Yr   |
|-----------|------|-------|-------|
| Emami     | 12%  | 11%   | 4%    |
| Nifty50   | 7.5% | 53.4% | 83.1% |
| Sensex    | 6.8% | 49.6% | 84.2% |

Source: Company, Way2Wealth

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- Emami has entered into healthy juice category (AloFrut) with the acquisition of a 26% stake in Axion Ayurveda Pvt Ltd. Axion Ayurveda claims that AloFrut juices are rich in vitamins, minerals, and are available in multiple flavors. The company also markets a range of carbonated beverages, including mocktails and energy drinks, as well as ayurvedic healthcare juices under the brand Jeevan Ras. It has a manufacturing facility in Ambala, Haryana, and is setting up a new state-of-the-art facility in Jammu at a cost ₹160 crore. AloFrut has a strong market presence across general trade, government institutions, modern trade, and e-commerce platforms. It reported revenue of ₹129crs with EBITDA margin of 10% in FY23.
- The management eyes high single-digit growth 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 channels such as modern trade/e-commerce.
- The management expects EBITDA margins to improve in the range of 27% vs 25% in FY23 if raw material prices soften further.

### Segmental Performance

| Products                   | Q2FY24 |
|----------------------------|--------|
| BoroPlus Range             | -4%    |
| Pain Management Range      | 1%     |
| Kesh King Range            | -5%    |
| Navratna & Dermicool Range | 12%    |
| Male Grooming Range        | -7%    |
| Healthcare Range           | 4%     |
| The Man Co. & Brillare     | 63%    |

Source: Company, Way2Wealth Research

### Risk

- Deficient rainfall
- Inflationary raw material prices

### VIEW

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 single-digit growth for FY24 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 32.3x TTM EPS of ₹15.8. We advise investors to accumulate this business.**

## Consolidated Financials

(₹ Cr)

| Particulars  | Q2FY24       | Q2FY23       | VAR          | Q1FY24       | VAR          | H1FY24         | H1FY23         | VAR          |
|--|--------------|--------------|--------------|--------------|--------------|----------------|----------------|--------------|
| <b>Net Sales</b>   | <b>864.9</b> | <b>813.8</b> | <b>6.3%</b>  | <b>825.7</b> | <b>4.7%</b>  | <b>1,690.6</b> | <b>1,587.1</b> | <b>6.5%</b>  |
| Other Income   | 11.1         | 42.0         | -73.5%       | 8.3          | 34.2%        | 19.4           | 48.3           | -59.9%       |
| <b>TOTAL INCOME</b>  | <b>876.0</b> | <b>855.7</b> | <b>2.4%</b>  | <b>834.0</b> | <b>5.0%</b>  | <b>1,710.0</b> | <b>1,635.4</b> | <b>4.6%</b>  |
| Raw Material Consumed  | 214.7        | 243.6        | -11.9%       | 164.0        | 31.0%        | 378.7          | 399.8          | -5.3%        |
| Purchase of stock in trade                                   | 90.5         | 79.4         | 14.0%        | 98.5         | -8.1%        | 189.1          | 147.5          | 28.1%        |
| Stock Adjustment   | (46.5)       | (51.4)       | -9.7%        | 23.1         | -300.9%      | (23.3)         | 10.4           | -325.2%      |
| <i>RMC as a %age of sales</i>                                | <i>30%</i>   | <i>33%</i>   |              | <i>35%</i>   |              | <i>32%</i>     | <i>35%</i>     |              |
| Employee Expenses  | 101.7        | 93.5         | 8.8%         | 101.4        | 0.2%         | 203.1          | 182.3          | 11.4%        |
| <i>EPC as a %age of sales</i>                                | <i>11.6%</i> | <i>10.9%</i> |              | <i>12.2%</i> |              | <i>11.9%</i>   | <i>11.1%</i>   |              |
| Advertisement & Publicity                                    | 154.4        | 141.5        | 9.1%         | 151.9        | 1.7%         | 306.3          | 277.8          | 10.3%        |
| <i>Advertisement as a %age of sales</i>                      | <i>17.9%</i> | <i>17.4%</i> |              | <i>18.4%</i> |              | <i>18.1%</i>   | <i>17.5%</i>   |              |
| Other Expenses   | 116.3        | 111.9        | 4.0%         | 96.8         | 20.2%        | 213.1          | 200.7          | 6.2%         |
| <i>Other Expenses as a %age of sales</i>                     | <i>13.3%</i> | <i>13.1%</i> |              | <i>11.6%</i> |              | <i>12.5%</i>   | <i>12.3%</i>   |              |
| <b>TOTAL EXPENDITURE</b>                                     | <b>631.2</b> | <b>618.4</b> | <b>2.1%</b>  | <b>635.7</b> | <b>-0.7%</b> | <b>1,266.9</b> | <b>1,218.4</b> | <b>4.0%</b>  |
| <b>EBIDTA</b>  | <b>233.7</b> | <b>195.4</b> | <b>19.6%</b> | <b>190.1</b> | <b>23.0%</b> | <b>423.7</b>   | <b>368.7</b>   | <b>14.9%</b> |
| <i>EBITDA Margins %</i>                                      | <i>27.0%</i> | <i>24.0%</i> |              | <i>23.0%</i> |              | <i>25.1%</i>   | <i>23.2%</i>   |              |
| Interest   | 2.3          | 1.8          | 27.8%        | 2.1          | 5.1%         | 4.4            | 4.3            | 3.3%         |
| <b>PBDT</b>  | <b>242.5</b> | <b>235.6</b> | <b>2.9%</b>  | <b>196.2</b> | <b>23.6%</b> | <b>438.7</b>   | <b>412.8</b>   | <b>6.3%</b>  |
| Depreciation   | 46.1         | 47.9         | -3.8%        | 46.0         | 0.2%         | 92.1           | 136.0          | -32.3%       |
| <b>PBT before share of associates &amp; Exceptional Item</b> | <b>196.4</b> | <b>187.7</b> | <b>4.7%</b>  | <b>150.2</b> | <b>30.8%</b> | <b>346.6</b>   | <b>276.7</b>   | <b>25.3%</b> |
| Share of (Loss) of associates                                | (0.6)        | (2.2)        |              | 0.5          |              | (1.1)          | (6.5)          |              |
| <b>PBT</b>   | <b>195.8</b> | <b>185.5</b> | <b>5.6%</b>  | <b>149.7</b> | <b>30.8%</b> | <b>345.5</b>   | <b>270.2</b>   | <b>27.9%</b> |
| Tax  | 15.8         | 5.4          | 193.7%       | 12.9         | 22.7%        | 28.7           | 17.4           | 65.3%        |
| <i>Tax Rate</i>  | <i>8.1%</i>  | <i>2.9%</i>  |              | <i>8.6%</i>  |              | <i>8.3%</i>    | <i>6.3%</i>    |              |
| <b>Reported Profit After Tax</b>                             | <b>180.0</b> | <b>180.1</b> | <b>-0.1%</b> | <b>136.8</b> | <b>31.6%</b> | <b>316.8</b>   | <b>252.8</b>   | <b>25.3%</b> |
| <b>PATM %</b>  | <b>20.8%</b> | <b>22.1%</b> |              | <b>16.6%</b> |              | <b>18.7%</b>   | <b>15.9%</b>   |              |
| Other Comprehensive Income                                   | 11.2         | 19.2         |              | 4.6          |              | 15.8           | (2.0)          |              |
| <b>Total Comprehensive Income</b>                            | <b>191.2</b> | <b>199.3</b> | <b>-4.1%</b> | <b>141.4</b> | <b>35.2%</b> | <b>332.6</b>   | <b>250.8</b>   | <b>32.6%</b> |
| Basic:   |              |              |              |              |              |                |                |              |
| <b>EPS</b>   | <b>4.05</b>  | <b>4.05</b>  | <b>-0.1%</b> | <b>3.08</b>  |              | <b>7.13</b>    | <b>5.69</b>    | <b>25.3%</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, Way2Wealth

## EMAMI LTD. – Quarterly Coverage

| Date      | Quarter / Report              | Report Price | Target Price | Recommendation     |
|-----------|-------------------------------|--------------|--------------|--------------------|
| 04-Jan-22 | <a href="#">Quick Insight</a> | 521          | 620-640      | Accumulate on Dips |
| 09-Feb-22 | <a href="#">Q3FY22</a>        | 499          |              | Add on Corrections |
| 18-May-22 | <a href="#">Q4FY22</a>        | 437          |              | Buy on corrections |
| 01-Aug-22 | <a href="#">Q1FY23</a>        | 460          |              | Add on Corrections |
| 23-Nov-22 | <a href="#">Q2FY23</a>        | 433.55       |              | Add on Corrections |
| 08-Feb-23 | <a href="#">Q3FY23</a>        | 413          |              | Add on Corrections |
| 31-May-23 | <a href="#">Q4FY23</a>        | 400          |              | Accumulate         |
| 16-Aug-23 | <a href="#">Q1FY24</a>        | 517          |              | Accumulate         |

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Disclosure of Interest Statement : Emami Ltd. as on 10<sup>th</sup> November 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   |                  |
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| Analyst's Relative : Yes / No  | No               |
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