



Q1FY24 Highlights

- Consolidated revenues grew to ₹826Cr by 6.8% YoY. Domestic summer portfolio declined 5% YoY.
- Domestic sales grew by 7% YoY with domestic volume growth of 3% YoY. International business continued to grow by 8% quarter on the back of good performance across most markets. SAARC, GCC and CIS performed well in the international markets.
- EBITDA grew 10% in Q1FY24 to ₹190Cr. EBITDA margin expanded 60bps to 23% YoY. Reported PAT grew 88% YoY to ₹137Cr on account of lower interest cost, depreciation and lower tax expenses.

Concall Highlights

- Emami reported robust double-digit growth (+16% YoY) in non-summer portfolio, while summer portfolio was impacted by unseasonal rains in key markets. Growth was driven by the return of double-digit growth in pain management and healthcare range which is encouraging.
- In the summer portfolio, Navratna range declined by 8% y-o-y, while Dermicool grew by 9%, largely led by distribution expansion. BoroPlus registered 19% y-o-y growth, aided by strong growth in the hygiene range, led by BoroPlus soaps. Excluding the hygiene portfolio, Boro Plus grew in high single digits. Pain management range delivered 13% y-o-y growth, driven by strong double-digit growth in balms, led by high single-digit volume growth.
- The healthcare range registered 11% y-o-y growth, aided by high single-digit growth in OTC and Medico range. Kesh King sales were impacted by a slowdown in discretionary consumption and a high base of 20% growth in Q1FY23, leading to a 2% y-o-y growth in the portfolio in Q1FY24. 7 Oils in One portfolio posted 2% y-o-y growth on a high base of 45% y-o-y growth in Q1FY23. The male grooming range, being discretionary in nature, posted flat growth y-o-y in Q1FY24.
- Management expects double-digit growth in healthcare, pain management and male grooming while it expects high single-digit growth in Navratna, BoroPlus and Kesh King with overall growth of 8-10% going forward.
- Gross margin improved ~240bps YoY to 65.4% due to moderation in input cost and better product mix. Management expects ~250bps YoY expansion in FY24. EBITDA margins expanded by ~60bps YoY to 23% largely due to higher ad-spends (+14% YoY). Management expects some incremental benefits of gross margins to be invested in ad-spends to drive growth with scope for ~200-250bps operating margin expansion in FY24.
- Management indicated that rural markets are still facing challenges, some markets are better, but otherwise rural continues to be subdued.
- **New Products** – contribution from NPDs is roughly about 4% to overall domestic business. The company has launched Kesh King Onion Shampoo sachet at ₹2/- lowering the entry price point for consumers into Onion Shampoo category. Also launched digital first Zanducare D2C portal.
- Both Modern trade and e-commerce continued to perform exceedingly well. Modern trade and e-commerce registered 45% and 47% y-o-y growth, respectively, and contributed 9.7% each to the domestic business.
- Distribution initiatives continued to progress with additional 31000 chemist in FY23 taking the total to 130000. Through Project Khoj the company have reached 52,000 towns and villages and plans to add another 8000 in FY24.

Important Data

Nifty	19,435
Sensex	65,402
CMP	₹517
Market Cap (₹ Cr)	₹22,696
52W High/Low	525/341
Shares o/s (crs)	43.9
Daily Vol. (3M NSE Avg.)	6,98,712
BSE Code	531162
NSE Code	EMAMILTD
Bloomberg Code	HMN:IN

Shareholding Pattern (%) – Jun'23

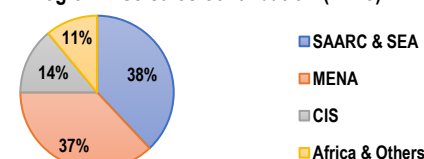
Promoter	54.52
FII	11.46
DII	26.22
Public & Others	07.81

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	50.7	27.2	35.6

Source: Company, Way2Wealth

International Business Region wise sales contribution (FY23)



Source: Company, Way2Wealth

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- The international business delivered CC y-o-y growth of 11% led by 20%, 27%, and 20% y-o-y growth in SAARC, GCC, and CIS regions, respectively. The quarter also witnessed strong double-digit growth of major brands such as Navratna, 7 Oils in One, Fair and Handsome and Creme21 in the international markets. Management expects better performance in the remaining nine months of FY24. Growth is majorly expected from existing markets (double-digit growth) and existing brands
- The management eyes double-digit growth in the medium term 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. International territories to grow by 20% in FY24.
- The management expects EBITDA margins to improve in the range of 27% vs 23.9% in FY23 if raw material prices soften further. Management is confident that hospital transaction will be materialised in August-September 2023. Post the transaction, the pledge will be reduced to 18-20% from level of 33%.

Profitability

Q1FY24	₹ Cr	Growth over Q1FY23
Revenues	826	7%
Gross Profit	540	11%
EBITDA	190	10%
Reported PAT	138	87

Source: Company, Way2Wealth Research

Segmental Performance

	Q1FY24	FY23
Products	Sales Growth	
BoroPlus Range	19%	1%
Pain Management Range	13%	-14%
Kesh King Range	2%	1%
Navratna Range	-8%	6%
Male Grooming Range	flat	3%
Healthcare Range	11%	-12%
7 oils in one	2%	
Dermicool	9%	

Source: Company, Way2Wealth Research

- Due to the muted demand environment, irregular summer and uninvited rains Navratna range declined by 8%.

Risk

- Deficient rainfall
- Inflationary raw material prices

VIEW

Emami remains cautiously optimistic about demand recovery, given softening inflation to aid rural demand, and a favourable base. 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 36.6x FY23 EPS of ₹14.12. We advise investors to accumulate this business.

Consolidated Financials

(₹ Cr)

Particulars	Q1FY24	Q1FY23	VAR	Q4FY23	VAR	FY23
Net Sales	825.7	773.3	6.8%	836.0	-1.2%	3405.7
Other Income	8.3	6.3	30.8%	13.8	-39.8%	68.9
TOTAL INCOME	834.0	779.6	7.0%	849.7	-1.9%	3474.7
Total Expenditure			#DIV/0!			
Raw Material Consumed	164.0	156.2	5.0%	184.5	-11.1%	824.7
Purchase of stock in trade	98.5	68.1	44.6%	136.4	-27.8%	339.7
Stock Adjustment	23.1	61.8	-62.6%	(12.7)	-282.2%	36.9
<i>RMC as a %age of sales</i>	<i>35%</i>	<i>37%</i>		<i>37%</i>		<i>35.3%</i>
Employee Expenses	101.4	88.8	14.2%	92.1	10.1%	367.8
<i>EPC as a %age of sales</i>	<i>12.2%</i>	<i>11.4%</i>		<i>10.8%</i>		<i>10.6%</i>
Advertisement & Publicity	151.9	136.3	11.4%	129.7	17.1%	560.7
<i>Advertisement as a %age of sales</i>	<i>18.4%</i>	<i>17.6%</i>		<i>15.5%</i>		<i>16.5%</i>
Other Expenses	96.8	88.8	9.0%	106.2	-8.9%	413.2
<i>Other Expenses as a %age of sales</i>	<i>11.6%</i>	<i>11.4%</i>		<i>12.5%</i>		<i>11.9%</i>
TOTAL EXPENDITURE	635.7	600.0	5.9%	636.1	-0.1%	2543.0
EBIDTA	190.1	173.3	9.7%	199.8	-4.9%	862.8
<i>EBITDA Margins %</i>	<i>23.0%</i>	<i>22.4%</i>		<i>23.9%</i>		<i>25.3%</i>
Interest	2.1	2.5	-14.1%	1.4	56.2%	7.4
PBDT	196.2	177.2	10.7%	212.2	-7.5%	924.3
Depreciation	46.0	88.1	-47.8%	64.0	-28.1%	247.3
PBT before share of associates & Exceptional Item	150.2	89.0	68.7%	148.2	1.3%	677.1
Share of (Loss) of associates	0.5	4.4		0.4		7.48
PBT	149.7	84.7	76.8%	147.9	1.2%	669.6
Tax	12.9	12.0	7.6%	6.3	106.4%	94.8
<i>Tax Rate</i>	<i>8.6%</i>	<i>13.5%</i>		<i>4.2%</i>		<i>6.2%</i>
Reported Profit After Tax	136.8	72.7	88.2%	141.6	-3.4%	627.4
<i>PATM %</i>	<i>16.6%</i>	<i>9.4%</i>		<i>16.9%</i>		<i>18.4%</i>
Other Comprehensive Income	4.6	(21.2)		(30.5)		-54.5
Total Comprehensive Income	141.4	51.5	174.8%	111.2	27.2%	573.0
Basic:						
EPS	3.08	1.64	88.2%	3.19		14.1
Equity	44.5	44.5		44.5		44.45
Face Value	1.0	1.0		1.0		1

Source: Company, Way2Wealth

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Name of the analyst	Ashwini Sonawane
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Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
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Receipt of Compensation	No
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