



Quick Insight Update

Q2FY23 Highlights

- Consolidated revenues grew by 3.4% and by 8% on a 3 year CAGR basis in Q2FY23. Excluding Pain Management, Healthcare range which saw corrections in this quarter, Net sales grew by 8% during the quarter.
- Domestic sales grew by 1% YoY. International business continued to grow strongly by 17% quarter on the back of good performance across most markets. MENA and CIS performed well in the international markets.
- EBITDA declined 29.5% in Q2FY23 to ₹195Cr due to inclusion of new subsidiary costs, upfront marketing investments and strategic outlay on distribution expansion.
- Reported PAT declined by 2.8% in Q2FY23 to ₹180Cr
- Helios Lifestyle Pvt. Ltd (The Man Company) became a Subsidiary of Emami Ltd w.e.f. 1st July'22 and contributed 3.5% to consolidated net sales in Q2FY23

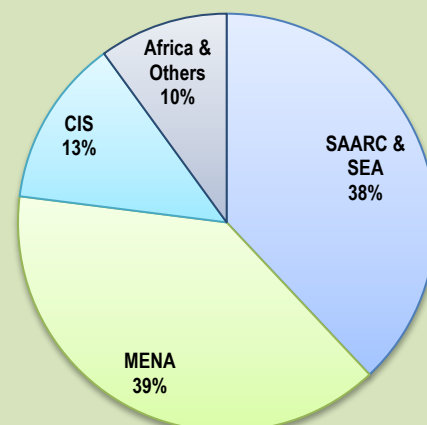
Concall Highlights

- The domestic FMCG industry continued to remain soft during the quarter and demand sentiment remained muted due to continued inflation, rural slowdown and liquidity pressure.
- **Gross Margin:** In Q2FY23, Gross margins contracted by 230 bps due to inflationary pressures combined with unfavorable portfolio mix due to extraordinary high sales of Pain Management products last year.
- PBT at ₹186Cr declined by 18% YoY due to pressure on gross margins, inclusion of new subsidiary costs, upfront marketing investments and strategic outlays on distribution expansion in rural, digital and modern trade channels. However, it grew by 17% on a 3 year CAGR basis.
- PAT at ₹180Cr declined by 3% but grew by 23% on a 3 year CAGR basis. Yet, the company commands one of the highest gross margins at 66.6%, PBT margin at 23% and PAT margin at 22 % compared to peers
- **Ad spends:** Despite input cost pressure, the management did not cut advertising spends as company remain buoyant behind its brands looking at long-term potential and rural recovery. The company continue to invest aggressively behind brands due to which A&P spend increased by 400 basis points in Q2FY23.
- **New Products:** contribution from NPDs is roughly about 1-1.5%. Once the inflation comes down, markets should also pick up, and company have a significant good pipeline of NPDs, both in Zandu and existing range. So hopefully, going forward, it should be in the range of about 3%.
- **Both Modern trade and e-commerce** continued to perform exceedingly well, to post a growth of 28% and 55% respectively. In Q2FY23, the contribution of Modern Trade and e-commerce channel increased to 16.5% of domestic revenues against 11.3% 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. The rural footprint manpower presence also increased from close to 900 to almost now 1,300.
- **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. Currently, company sees a run rate of about ₹2Cr, and that will keep increasing month-on-month going forward.

Nifty	18244
Sensex	61419
Key Stock Data	
CMP	₹433.55
Market Cap (₹ bn)	₹191.26
52W High/Low	555/393
Shareholding pattern (%) Sep'22	
Promoter	54.27
FII	11.25
DII	27.02
Public & Others	07.47

Source: Company Data, Way2Wealth Research

International Business
Region wise sales contribution
(Q2FY23)



Source: Company Data, Way2Wealth Research

- **International Business** grew by 17% during the quarter on the back of good performance across markets. CIS continued to grow despite disturbances due to its infrastructure built in previous years. Other SAARC markets, including Nepal, Sri Lanka, etc. are also showing signs of recovery despite continued macro-economic issues.
- A decline in commodity prices has helped inflationary pressures to ease out, thus boosting consumer sentiments. The management expects gross margins to improve in H2FY23. The months of October and early November saw good pickup for winter products.

Profitability

Q2FY23	₹ Cr	Growth over Q2FY22	Q2FY23 margins	3 year CAGR
Revenues	814	3%	-	7%
Gross Profit	542	0%	66.6%	6%
EBITDA	195	-30%	24.0%	24%
Reported PAT	180	-3%	22.1%	22%

Source: Company Data, Way2Wealth Research

Segmental Performance

	Q2FY23	H1FY23	
Products	Sales Growth		3 Year CAGR
BoroPlus Range	17%	14%	6%
Pain Management Range	-13%	-21%	6%
Kesh King Range	-10%	3%	14%
Navratna Range	-5%	15%	Flat
Male Grooming Range	2%	16%	-4%
Healthcare Range	-16%	-20%	10%

Source: Company Data, Way2Wealth Research

- Due to the muted demand environment, Navratna range declined by 5% and Kesh King range declined by 10% whereas Pain Management and Healthcare range witnessed corrections of 13% and 16%, respectively.
- Launched Zandu Fast relief gel in Aug'22. Organic apple cider vinegar and 7 Oils in One Organics launched digitally.

Risk

- **Slowdown in the economy**
- **Inflationary raw material prices**

View

The management do not see much contraction in H2FY23 which normally accounts for 55% of the overall annual EBITDA. Hence, for FY23, the company expect EBITDA margins to be in the pre COVID levels, that is around 27% for core business. Going ahead, management is optimistic of delivering sustainable growth on account of good monsoon, government impetus and correction in input prices and expecting an upward curve in the consumer sentiments in the near future.

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

The company is currently trading at a P/E multiple of 22.9x FY22 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.

Financials

(₹Cr)

Consolidated (in cr)	Q2FY23	Q2FY22	VAR [%]	Q1FY23	VAR [%]	H1FY23	H1FY22	VAR [%]
Net Sales	813.8	787.1	3.4%	778.3	4.6%	1,592.0	1,448.1	9.9%
Other Operating Income								
Other Income	42.0	37.6	11.6%	6.3	563.3%	48.3	48.3	0.0%
TOTAL INCOME	855.7	824.7	3.8%	784.6	9.1%	1,640.4	1,496.4	9.6%
Total Expenditure			#DIV/0!					#DIV/0!
Raw Material Consumed	247.7	246.2	0.6%	163.4	51.5%	411.1	430.2	-4.4%
Purchase of stock in trade	75.4	27.5	173.6%	65.9	14.4%	141.2	70.9	99.3%
Stock Adjustment	(51.4)	(29.1)	76.8%	61.8	-183.2%	10.4	(31.7)	-132.7%
<i>RMC as a %age of sales</i>	<i>33%</i>	<i>31%</i>		<i>37%</i>		<i>35%</i>	<i>32%</i>	
Employee Expenses	93.5	82.1	13.9%	88.8	5.3%	182.3	166.6	9.4%
<i>EPC as a %age of sales</i>	<i>10.9%</i>	<i>10.0%</i>		<i>11.3%</i>		<i>11.1%</i>	<i>11.1%</i>	
Advertisement & Publicity	141.5	105.3	34.3%	136.3	3.8%	277.8	215.2	29.1%
<i>Advertisement as a %age of sales</i>	<i>17.4%</i>	<i>13.4%</i>		<i>17.5%</i>		<i>17.4%</i>	<i>14.9%</i>	
Other Expenses	111.9	77.9	43.6%	88.8	25.9%	200.7	150.2	33.6%
<i>Other Expenses as a %age of sales</i>	<i>13.1%</i>	<i>9.4%</i>		<i>11.3%</i>		<i>12.2%</i>	<i>10.0%</i>	
TOTAL EXPENDITURE	618.4	509.9	21.3%	605.0	2.2%	1,223.3	1,001.2	22.2%
EBIDTA	195.4	277.2	-29.5%	173.3	12.7%	368.7	446.9	-17.5%
<i>EBITDA Margins %</i>	<i>24.0%</i>	<i>35.2%</i>		<i>22.3%</i>		<i>23.2%</i>	<i>30.9%</i>	
Interest	1.8	0.8	125.6%	2.5	-29.3%	4.3	1.4	199.3%
PBDT	235.6	314.0	-25.0%	177.2	33.0%	412.8	493.8	-16.4%
Depreciation	47.9	83.9	-42.9%	88.1	-45.6%	136.0	166.9	-18.5%
PBT before share of associates	187.7	230.1	-18.4%	89.0	110.8%	276.7	326.9	-15.4%
Share of (Loss) of associates	2.2	3.8		4.4		6.5	5.4	
PBT	185.5	226.3	-18.0%	84.7	119.1%	270.2	321.6	-16.0%
Tax	29.1	41.1	-29.2%	12.0	142.5%	41.1	58.5	-29.9%
Fringe Benefit Tax/Deferred	(2.3)	(0.0)	11350.0%		-	(2.3)	(0.0)	11350.0%
MAT credit entitlement	(21.4)	0.0	-		-	(21.4)	0.0	-
<i>Tax Rate</i>	<i>2.9%</i>	<i>17.8%</i>		<i>13.5%</i>		<i>6.3%</i>	<i>17.9%</i>	
Reported Profit After Tax	180.1	185.3	-2.8%	72.7	147.8%	252.8	263.0	-3.9%
<i>PATM %</i>	<i>22.1%</i>	<i>23.5%</i>		<i>9.3%</i>		<i>15.9%</i>	<i>18.2%</i>	
Other Comprehensive Income	19.2	7.2		(21.2)		(2.1)	34.2	
Total Comprehensive Income	199.3	192.4	3.6%	51.4	287.4%	250.8	297.3	-15.6%
Basic:								
EPS	4.05	4.17	-2.8%	1.64		5.69	5.92	-3.9%
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

23rd November 2022**Disclaimer**

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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
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