



Q4FY23 Highlights

- Consolidated revenues grew to ₹817Cr by 8% YoY and by 7% on a 4 year CAGR basis in Q4FY23.
- Domestic sales grew by 5% YoY with domestic volume growth of 2% YoY (consolidation of Dermicool and Helios Lifestyle). International business continued to grow by 19% quarter on the back of good performance across most markets. MENA and CIS performed well in the international markets.
- Dermicool and Helios Lifestyle (The Man Company) contributed ~ 10% to Revenues in Q4 and ~ 6% in FY23
- EBITDA grew 22% in Q4FY23 to ₹200Cr aided by lower A&P spends. Reported PAT declined 60% in Q4FY23 to ₹142Cr.

Concall Highlights

- During the quarter, demand patterns for the FMCG sector remained sluggish, impacted by excessive unseasonal rainfall in some parts of the country and a persistent rural slowdown.
- Excluding healthcare and pain management products, which had a higher consumption during the Covid period, domestic sales grew by 11 percent during the quarter.
- **Gross Margin** – In Q4FY23 Gross margins at 63.1% expanded by 60 basis points
- With higher other expenses and employee expenses led to a sharp decline in OPM to 23.9% from 29.9% Q3FY23. Reported PAT declined 60% YoY in Q4FY23 to ₹142Cr.
- The company has taken a price hike of 3-3.5% in the March '23 quarter.
- Advertisement and publicity spend as percentage of revenues stood at 15.5% in the March '23 quarter compared with 19.4 percent in the March '22 quarter.
- **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. Emami introduced around 20 new products in FY23 with the majority being digital-first on its D2C website..
- Both Modern trade and e-commerce continued to perform well. In Q4FY23, the contribution of Modern Trade and e-commerce channel increased to 19% to domestic sales against 16.5% in Q2FY22.
- 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 8,000 in FY24
- International Business grew by 19% during the quarter despite high inflation and geopolitical issues. Among the international territories, Middle East, North Africa, CIS, and Bangladesh regions performed well.
- The management eyes double-digit growth in the medium term (8-10%) 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.

Important Data

Nifty	18,604
Sensex	62,838
CMP	₹400
Market Cap (₹ bn)	₹176.52bn
52W High/Low	525/341
Shares o/s (crs)	44.11
Daily Vol. (3M NSE Avg.)	430403
BSE Code	531162
NSE Code	EMAMILTD
Bloomberg Code	HMN:IN

Shareholding Pattern (%) – Mar'23

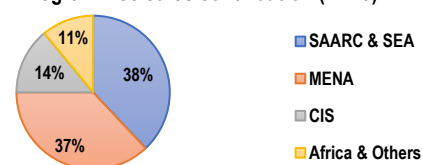
Promoter	54.27
FII	11.01
DII	26.92
Public & Others	07.81

Financials

Particulars	FY21	FY22	FY23
Sales	2881	3192	3406
YoY Growth	9%	11%	7%
EBITDA	880	938	855
EBITDA Margin	31%	29%	25%
PAT	455	837	627
EPS	10.23	19.02	14.12
ROCE	28%	31%	28%

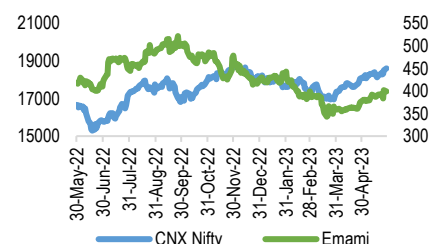
Source: Company, Way2Wealth

International Business Region wise sales contribution (FY23)



Source: Company, Way2Wealth

Relative performance



Analyst

Ashwini Sonawane
Research Analyst
ashwinisonawane@way2wealth.com

- The management expects EBITDA margins to improve in the range of 27% vs 23.9% in FY23 if raw material prices soften further.
- The company has approved a buyback of shares amounting to ₹186Cr at a maximum share price of ₹450 per share through the stock exchange route. Promoters will not be participating in the buyback. Emami has a net cash and cash equivalent of ₹225Cr as on March 31, 2023.
- Inflation in rural at 6.8% in FY23 was the highest of the past nine years. Also, rural inflation surpassed urban inflation for the first time since FY18

Profitability

Q4FY23	₹ Cr	Growth over Q4FY22	Q4FY23 margins
Revenues	836	8%	-
Gross Profit	528	9.8%	63.1%
EBITDA	200	21.9%	23.9%
Reported PAT	142	-60%	16.9%

Source: Company, Way2Wealth Research

Segmental Performance

	Q4FY23	FY23
Products	Sales Growth	
BoroPlus Range	-25%	1%
Pain Management Range	-9%	-14%
Kesh King Range	1%	1%
Navratna Range	-3%	6%
Male Grooming Range	29%	3%
Healthcare Range	-13%	-12%

Source: Company, Way2Wealth Research

- Due to the muted demand environment, irregular summer and uninvited rains Navratna range declined by 3%, Boro Plus range declined by 25% , Healthcare range declined by 13% whereas Male grooming range witnessed growth of 29%

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 28.3x FY23 EPS of ₹14.12. We advise investors to accumulate this business.

Consolidated Financials

(₹ Cr)

Particulars	Q4FY23	Q4FY22	VAR	Q3FY23	VAR	FY23	FY22	VAR
Net Sales	836.0	768.2	8.8%	982.7	-14.9%	3,405.7	3,187.2	6.9%
Other Income	13.8	30.3	-54.6%	6.9	100.4%	68.9	95.3	-27.6%
TOTAL INCOME	849.7	798.5	6.4%	989.6	-14.1%	3,474.7	3,282.5	5.9%
Raw Material Consumed	184.5	222.7	-17.2%	234.2	-21.2%	824.7	895.5	-7.9%
Purchase of stock in trade	136.4	104.6	30.4%	62.1	119.7%	339.7	223.5	52.0%
Stock Adjustment	(12.7)	(39.6)	-68.0%	39.3	-132.3%	36.9	(45.9)	-180.5%
<i>RMC as a %age of sales</i>	<i>37%</i>	<i>37%</i>		<i>34%</i>		<i>35%</i>	<i>34%</i>	
Employee Expenses	92.1	78.9	16.8%	93.4	-1.5%	367.8	317.8	15.7%
<i>EPC as a %age of sales</i>	<i>10.8%</i>	<i>9.9%</i>		<i>9.4%</i>		<i>10.6%</i>	<i>9.7%</i>	
Advertisement & Publicity	129.7	149.5	-13.3%	153.3	-15.4%	560.7	522.9	7.2%
<i>Advertisement as a %age of sales</i>	<i>15.5%</i>	<i>19.5%</i>		<i>15.6%</i>		<i>16.5%</i>	<i>16.4%</i>	
Other Expenses	106.2	88.2	20.4%	106.3	0.0%	413.2	321.1	28.7%
<i>Other Expenses as a %age of sales</i>	<i>12.5%</i>	<i>11.1%</i>		<i>10.7%</i>		<i>11.9%</i>	<i>9.8%</i>	
TOTAL EXPENDITURE	636.1	604.3	5.3%	688.5	-7.6%	2,543.0	2,234.9	13.8%
EBIDTA	199.8	163.9	21.9%	294.3	-32.1%	862.8	952.4	-9.4%
<i>EBITDA Margins %</i>	<i>23.9%</i>	<i>21.3%</i>		<i>29.9%</i>		<i>25.3%</i>	<i>29.9%</i>	
Interest	1.4	1.8	-24.7%	1.8	-22.6%	7.4	5.1	45.8%
PBDT	212.2	192.4	10.3%	299.3	-29.1%	924.3	1,042.6	-11.3%
Depreciation	64.0	83.5	-23.4%	47.2	35.4%	247.3	334.8	-26.1%
PBT before share of associates & Exceptional Item	148.2	109.0	36.0%	252.1	-41.2%	677.1	707.8	-4.3%
Share of (Loss) of associates	0.4	5.9		0.6		7.5	14.6	
Exceptional items		5.2	-100.0%		-	0.0	5.2	-100.0%
PBT	147.9	97.8	51.1%	251.5	-41.2%	669.6	688.0	-2.7%
Tax	6.3	(256.3)	-102.4%	47.5	-86.8%	94.8	(148.6)	-163.8%
Fringe Benefit Tax/Deferred			-	0.7	-100.0%	(1.6)	(0.1)	1925.0%
MAT credit entitlement			-	(29.7)	-100.0%	(51.1)	0.0	-
<i>Tax Rate</i>	<i>4.2%</i>	<i>-235.2%</i>		<i>7.3%</i>		<i>6.2%</i>	<i>-21.0%</i>	
Reported Profit After Tax	141.6	354.1	-60.0%	233.0	-39.2%	627.4	836.7	-25.0%
<i>PATM %</i>	<i>16.9%</i>	<i>46.1%</i>		<i>23.7%</i>		<i>18.4%</i>	<i>26.3%</i>	
Other Comprehensive Income	(30.5)	23.1		(22.0)		(54.5)	30.7	
Total Comprehensive Income	111.2	377.2	-70.5%	211.0	-47.3%	573.0	867.4	-33.9%
Basic:								
EPS	3.19	8.0	-60.0%	5.24		14.12	18.82	-25.0%
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

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 that 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 Emami Ltd. as on 31 May 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.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.