



Key Highlights

- In FY22, Amrutanjan Healthcare Limited (AHCL) registered a growth of 23.9% in its revenue
- It has built a network of 2,300+ distributors and 12,00,000 outlets
- It has rolled out a new product – 'Amrutanjan Stop Pain Dental Gel'
- In FY22, AHCL's beverage brand 'Electro+' saw revenue growth of 136%, whereas its sanitary napkin 'Comfy' registered a growth of ~28%

| Key Factors | | FY 22 | FY 21 |
|--------------------------|---|---------|---------|
| Market Price (Average) | ↑ | ₹786.52 | ₹448.82 |
| Earnings Per Share (EPS) | ↑ | ₹22.98 | ₹20.93 |
| Return on Equity (ROE) | ↓ | 25.3% | 28.4% |
| Operating Margin | ↓ | 22.4% | 24.8% |
| Net Profit Margin | ↓ | 16.6% | 18.4% |

Source: Leveraged Growth

Indian FMCG Industry

- The Global FMCG market was valued at \$11951.95bn for 2021 and is expected to grow at a rate of 3.17%
- Asia-Pacific region is the largest contributor to the global FMCG industry, with a share of 41%
- The Indian FMCG industry is worth ₹4.7lakh crore and is projected to grow at a rate of 14.9%
- India's FMCG sector is led by ITC with a 30% share, followed by HUL with a 14% share
- The key growth drivers for the FMCG industry is the rising sales from online platforms, automation of logistics, rise in disposable income, and supply chain enhancement

Amrutanjan- Relieving for Decades

Amrutanjan Healthcare Limited (NSE: AMRUTANJAN) is an Indian company dealing primarily in pain relief products. It was founded in 1893 and has since grown to become a trusted brand across India and other parts of Asia. The Company deals in over-the-counter (OTC) products, beverages, and women's hygiene products. Combining Ayurveda with modern technology, the OTC segment of the Company engages in pain & congestion management along with hygiene products. The beverages segment includes hydration drinks and fruit juices. In the women's hygiene category, it offers sanitary napkins under its brand- Comfy. The Company has also established its own pain management center for curing chronic illness.

Journey

Amrutanjan Healthcare Limited (AHCL) has collected 129+ years of experience delivering relief products to customers. The Company was founded in 1893 by Kasinathuni Nageswara Rao, popularly known as Desodharaka for his role as India's freedom fighter and journalist. 'Desodharaka' Rao had studied many books on Ayurveda during his education. He decided to combine his knowledge of Ayurvedic science with his experience gained at a medical shop. He developed balms for headache and pain relief and called it "Amrutanjan."

He launched the product in the markets in 1908. He distributed the balm free of cost at music events to advertise the product. Later in 1914, the headquarters were shifted to Madras (Chennai). In 1936, the Company became a public limited company named Amrutanjan Limited. It forayed into US markets in 2002 and launched a series of anti-diabetic medicines the same year.

The Company entered the beverages industry, buying out Siva's Soft Drink Pvt Ltd in 2011. It also entered into the sanitary napkins business in the same year. It went on to add more sources of revenue by establishing the Amrutanjan Pain Management Centre (APMC) for chronic illness in 2012.

From pioneering a one-of-kind pain balm, it has come a long way, offering a range of healthcare and hygiene products to cater to the customers' evolving needs.

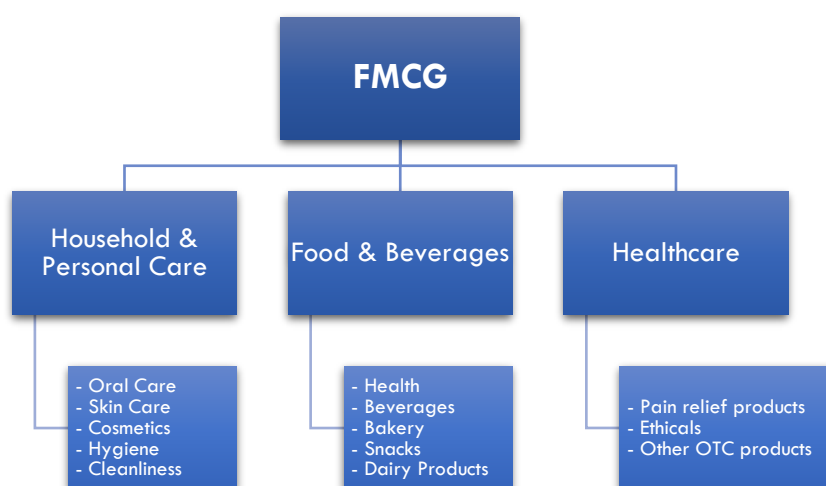


Source: Leveraged Growth

FMCG Industry

The Indian FMCG industry is the 4th largest sector of the economy. It includes a wide range of products such as personal care, household care, and food & beverages. The FMCG industry in India is highly competitive, with many local and international companies operating in the market. The industry rose by 16% in CY21. The Indian FMCG sector has been proliferating in recent years and is expected to reach \$220bn by 2025, projected to grow at a CAGR of 14.9%. The growth is driven by the increasing purchasing power of the middle class, the country's large population, the development of e-commerce, and the growing demand for high-quality consumer goods. Further, the Government's increased focus on supply chain enhancement is expected to boost the industry's growth.

The FMCG industry in India can be sub-categorized into three main sectors- household & personal care leading with a 50% share, healthcare with 31%, and food & beverages coming with a 19% market share.



Source: Leveraged Growth

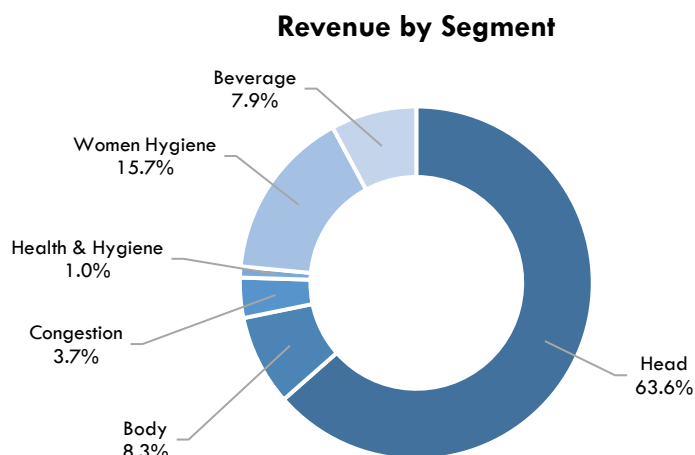
The sector earns 55% of its revenue from the urban segment and 45% from the rural. The rural segment has been rising for the past years and is projected to continue growing, riding on vast penetration potential and climbing rural income. Part of the growth has also been due to increased stocking by the *kirana* stores, especially in the urban sector. Additionally, increasing digital connectivity has boosted revenue from e-sales.

In recent months, the FMCG sector has seen an unprecedented surge in raw materials prices stemming from global supply chain disruption, among other geopolitical adversities. This has led the industry to see more price-driven growth than volume-driven. The increased costs have seen consumers shifting towards smaller-pack products.

Business Model

Amrutanjan has three segments through which it caters to its customers:

- Pain and Congestion Management
- Beverages
- Women's Hygiene



Source: Leveraged Growth

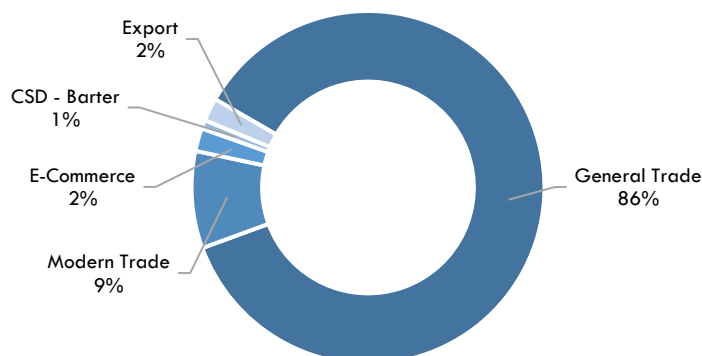
Pain and congestion management is the largest contributor to revenue; it can be subclassified into headache portfolio, body ache, and congestion management. The Company offers pain balms, relief patches, sprays, relaxation roll-ons, inhalers, and cold rubs in this category. The Company added Dental Gel to its product portfolio in FY22.

In its beverage segment, the Company has seen slightly higher demand for rehydration products stemming from global warming and greater health awareness post-pandemic. The revenue for the segment stood at nearly ₹30.26cr in FY22. The product portfolio includes rehydration drinks and fruit juices under the brands- 'Fruitnik' and 'Electro+.'

The Company's women's hygiene segment has been rising, growing to ₹69.5cr in FY22, a 27.8% YoY growth. In this segment, the Company offers sanitary napkins and other menstruation solutions under the brand name 'Comfy.' Comfy obtains 56% of its sales from rural India. The segment derives its growth from the rising menstrual health awareness and vast potential, especially in the rural markets.

The Company operates in pain and congestion management, women's hygiene, and other healthcare products through the OTC business. The overall business in the OTC section is run mainly through general trade, modern trade, and e-commerce channels.

OTC Revenue Channel



Source: Leveraged Growth

AHCL has three manufacturing units – 2 for OTC products and 1 for beverages, operating with a capacity of 1,600 MT in OTC segments. The Company operates through a distribution network of 12,00,000 outlets for its pain management products and 3,50,000 for Comfy products. To further increase its rural penetration, the Company appointed 150 super stockists and 1,200+ sub-stockists in FY22. The sanitary napkins are sourced from a strategic partner- Bella Hygiene, a leading women's hygiene products producer in Eastern Europe.

The Company has established Amrutanjan Pain Management Centre to treat chronic illness, through which it has treated more than 15,000 patients for their chronic pain.

SWOT Analysis

Strengths

- **Resilient Growth**

AHCL has been a household brand for over a century, catering to the masses and sophisticated customers. Notwithstanding high competition from premium domestic and international brands, the Company has grown consistently. This has been possible due to its strong market positioning and increased focus on being a market leader in the affordable pricing space.

- **"Comfy"- an Elevating Brand**

The Company has aggressively grown its presence in the women's personal hygiene space. The sanitary pad market in India has been mounting rapidly, triggered by rising awareness of menstrual health. Despite the growth, about 50% of women follow unhygienic menstrual sanitation methods. This provides an enormous untapped potential for the Company, given Comfy's strong brand image.

- **Strong Brand Recall**

AHCL has been in the markets for 120+ years and, with a focus on penetration, has built a strong brand recall in the pain management segment. The Company has a comprehensive and established network of distributors with its presence in more than 12,00,000 outlets. The Company also benefits from increased reach due to its presence on leading e-commerce platforms.

Weaknesses

- **Geographic Concentration**

The Company has successfully expanded its portfolio and scaled up. However, despite 120+ years of serving, nearly 60% of its domestic revenue comes from the South, marking its sluggish growth in the rest of the country.

- **Overdependence on Balms**

The Company depends mainly on its balms for margins. Although Amrutanjan balms' proportion in revenue has reduced in recent years, its share in profits surmounts the other categories. In fact, the OTC segment is the only profit-making segment for the Company.

- **Hindered Diversification**

AHCL has been in the markets for over a century, yet the Company has failed to mark its impact and has suffered hindered growth due to failed ventures. The Company has ventured into various businesses like biotech, infotech, chemicals, and others. These endeavors not only failed but also dragged the relative progress of the pain balm segment.

Opportunities

- **Increasing Menstrual Health Awareness**

Where nearly half of the Indian women still do not use sanitary napkins, they are becoming increasingly aware of menstrual hygiene in rural and urban India. This creates massive potential for the Company to grow in its feminine hygiene segment.

- **Supply Chain Enhancement**

The Indian Government has ramped up investments to enhance domestic supply chain infrastructure. Ergo, the Company, owing to its logistics and transport-heavy nature, is expected to benefit significantly both in supply management and profit margins.

- **D2C & E-Commerce Channels**

The Company caters to its customers via all the major players in the e-commerce platforms. It has also built its own website and app for its brand Comfy, which, although in its nascent stage, is expected to boost the sales and reach of the brand even further. The Company is also building a D2C channel, enabling it to earn a larger margin by eliminating the intermediaries.

Threats

- **Increased Material Cost**

Consumers and regulators are becoming increasingly environment-cautious, which has led to the banning of several grades of plastic-based packaging material, pushing up demand and prices of alternatives. The increasing packaging costs are affecting the margins. The pain is not expected to go away sooner, as low-cost alternatives are yet to be found.

- **Changes in Regulatory Compliances**

Healthcare, hygiene, and beverages are sectors that are constantly under regulators' purview. Therefore, the Company is susceptible to healthcare and hygiene product regulations. Further, policies concerning menthol, essential oils, and other input also impact the Company's business.

- **Intense Competition**

In the pain and congestion management segment, AHCL faces stiff competition from brands like Vicks, Moov, Zandu, and Emami. Further, industry leaders like P&G, J&J, and Unicharm pose intense competition in the women's hygiene segment. Even in the beverages segment, the Company is faced with well-poised brands like Electral, Gatorade, and Glucon-D.

Differentiating Strategies

- **Digital Transformation**

The Company uses technology to leverage its growth and modernize business processes like sales, manufacturing, and supply chain management. Its business intelligence platform, 'Amruta,' uses informational technology in critical decision-making.

- **Extensive Distribution Network**

The Company has an entrenched distribution network of 2,300+ distributors and 600+ suppliers. The Company has an overall network of 12,00,000 outlets and more than 2,00,000 outlets for its sanitary napkin products. Increased focus by the Company on improving its distribution channels has enabled the Company to achieve this feat, thereby, reducing its outstanding days of inventory.

- **Leveraging Ayurvedic Science**

The Company relies more on Ayurveda and natural resources than chemicals like Diclofenac for its pain management products. Leveraging the amalgamation of ancient medical science with modern technology has helped the Company gain traction among customers, who are increasingly aware of what they consume.

Michael Porter's 5 Forces Analysis

- **Barriers to Entry**

There is a moderate threat of entry into the Indian FMCG industry. The strong brand and distribution network of existing companies make it difficult for newer companies to enter the market. Further, entrance by new firms is hindered by solid competition by key industry players. The pain management products, along with sanitary products, need considerable investments in research and development along with supply infrastructure, restricting smaller firms from entering this space.

- **Threat of Substitutes**

The threat of substitutes in the Indian FMCG industry is moderate to high. The pain management segment has several alternatives, like allopathic painkillers, sprays, or rubs. There are plenty of options in the homeopathic space as well. Similarly, the feminine hygiene segment is flooded with similar products offered by prominent established players and with little differentiation. The beverage space also faces the threat of substitution from products like Gatorade, Real juices, and Sting, among others.

- **Bargaining Power of Suppliers**

The bargaining power of suppliers ranges from moderate to high in the Indian FMCG industry. The critical inputs used in production - menthol & essential oils- depend on the global commodity market, causing the Company to have little control over input prices.

- **Bargaining Power of Buyers**

The buyers enjoy moderate buying power in the FMCG industry. High brand loyalty enjoyed by the Company impedes customers from switching. The Company does not depend on any single large buyer reducing the bargaining power of the customers. However, the presence of several alternatives and low switching costs confines the Company's pricing power, hindering its ability to pass high input costs to the consumers.

- **Rivalry among Competitors**

The rivalry among the FMCG companies in India is intense. However, the presence of mature players in the industry ensures the companies to compete on factors like quality, distribution, and marketing. The fierce rivalry and the large consumer base drive the companies to continuously improve products and innovation to maintain their market position.

Branding & Other Initiatives

- **Project Disha**

The Company launched project Disha intending to educate women and raise awareness at the grassroots level for sanitary napkins. The project included rural marketing and sampling Comfy sanitary napkins, explaining their benefits. The project was rolled out in Tamil Nadu, Andhra Pradesh, and Uttar Pradesh, among other states where the use of cloth is high. Through the project, the Company reached 1,450 villages, sampling 5,00,000 Comfy napkins.

- **Associating with Champions**

AHCL associated with the Tokyo 2020 Olympics' champions to promote its pain relief product portfolio. The Company onboarded Mirabai Chanu and Bajrang Punia to endorse pain management products like Roll-on, Pain Patch, and Joint Muscle Spray.

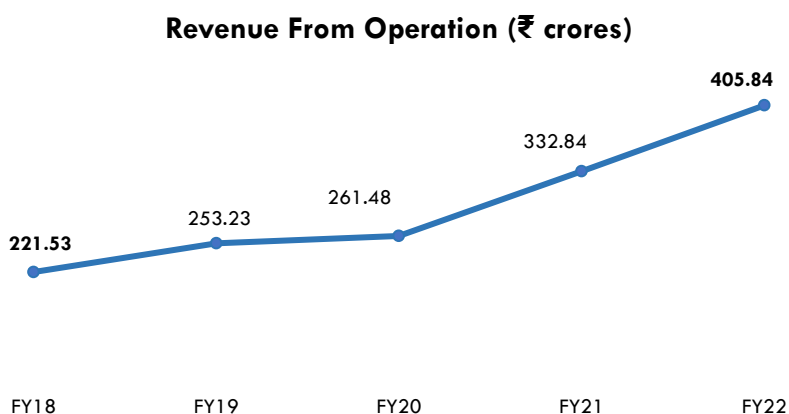
- **Targeted TVCs**

The Company has an integrated communication program across Television Commercials, helping the Company register a strong brand image and the resultant revenue growth. The Company, necessitated by its industry, follows a robust advertising process using targeted ads at the point of sales and through TVCs.

Financial Analysis

Strong Topline Growth

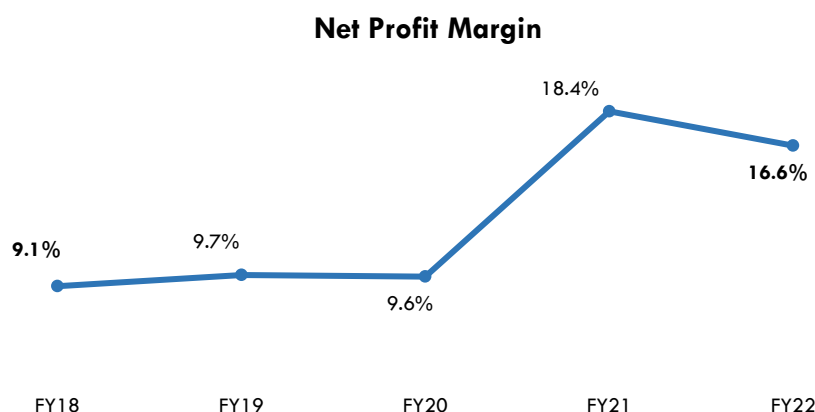
AHCL's revenue grew 21.9% in FY22, reaching ₹405.84cr. The revenue growth was driven by the dual impact of price growth due to inflation and volume growth. Electro+ saw a sales growth of 136%, rising to ₹30.3cr up from ₹12.8cr, which was possible due to improved logistics, increasing temperatures, and a low base year revenue. Comfy sanitary napkins saw a strong revenue growth of 27.9%, driven by rising awareness and increased rural outreach of the Company.



Source: Leveraged Growth

Increased Profit, Decreasing Profitability

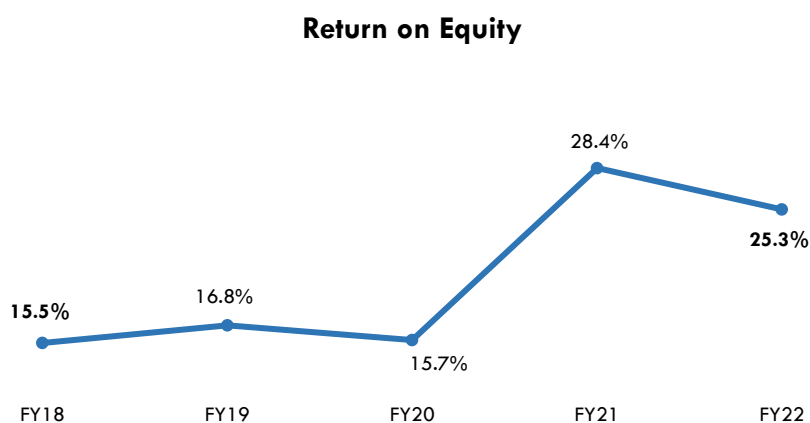
AHCL's profit after tax has risen to ₹67.19cr in FY22, 9.8% up from FY21. However, its gross profit margin has fallen from 62.2% in FY21 to 54.5% in FY22 due to rising input material costs. The Company could not fully transfer its rising input costs to customers because of low switching costs and several alternatives available to customers. The net profit margin has also suffered a fall from 18.38% to 16.56% due to increased packaging material costs.



Source: Leveraged Growth

Return on Equity

The Company has significantly increased its returns over the past few years. The Company provided a return of 25.34% on equity in FY22, lower than its return of 28.39% in FY21. The Company yielded a return of 27.2% on capital employed in FY22 against 31.5% in the previous year. The Company had largely benefitted from consumer hoarding in the wake of the pandemic. However, the same did not repeat in FY22 leading to a fall in the returns. Also, the rising input costs, which could not be fully transferred to customers, further hurt the margins.

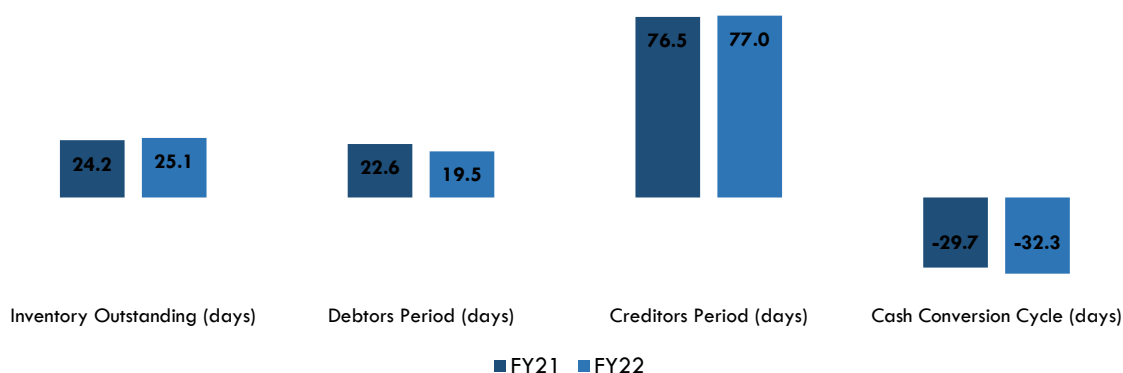


Source: Leveraged Growth

Improving Cash Conversion Cycle

The Company has seen its cash cycle improve from -29 days to -32 days, meaning the inventory is sold before it has to pay for it. This has been due to the Company's increased efforts in improving the supply chain and superior cash sales growth. The debtors' receivable days for the Company has fallen 13.7% to less than 20 days. The Company's inventory outstanding days is much lower than the industry, which stands at ~60 days. This has been a result of faster distribution in rural segments.

Cash Conversion Cycle (days)

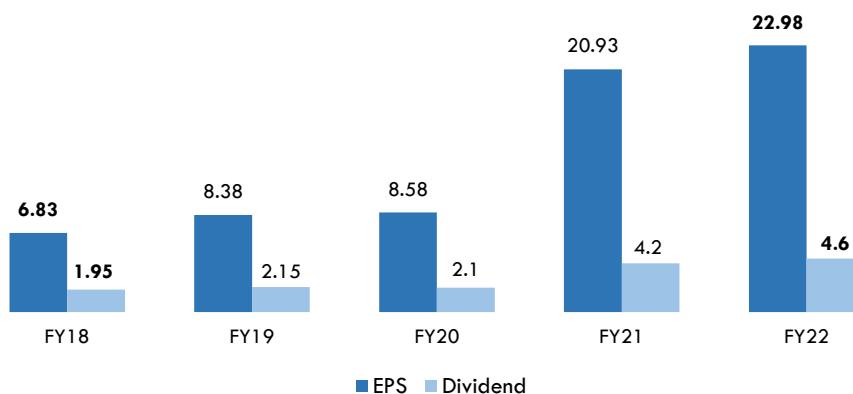


Source: Leveraged Growth

Earnings and Payout

AHCL has considerably improved its earnings per share over the years, with its diluted EPS standing at ₹22.98 in FY22, rising at a CAGR of 35.44% in the past 5 years. The Company paid a dividend of ₹4.6 per share in FY22, following a payout ratio of 20%. The increased retention by Company has been due to the rising growth prospects driven by demographic factors and rural sales growth.

Earnings Per Share (in ₹)



Source: Leveraged Growth

Environmental, Social & Governance

Environment

- Solar Plant Installation**

The Company has installed a solar power plant in its head office, with 120kW capacity, as a part of its ESG initiative. The project helps AHCL save nearly 480 units/day, equivalent to offsetting nearly 2.5lakh kg of CO₂ annually. The Company also plans to install solar panels at other facilities soon, aiming to meet half of its energy consumption through solar energy by the end of FY24.

- Minimizing Water Consumption**

To ensure efficient utilization of water resources, AHCL has installed a high-quality RO membrane at its beverage plant, improving the plant's yield from 40% to 60%. This has helped the Company reduce water rejects by 12kL/day, reducing waste by 30%.

Social

- Education and Women Empowerment**

The Company undertook several initiatives to raise awareness among women. It extends its financial support to projects like IIMPACT Girl Child- a program to provide quality primary education to girls- and CII Foundation – an organization working towards disaster relief, rehabilitation, and climate change.

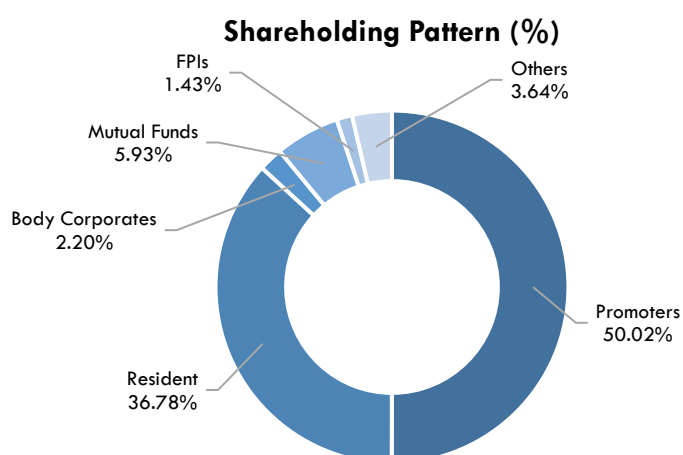
- Animal Welfare**

The Company has partnered with 'People for Animals,' an animal welfare team striving to rescue and rehabilitate sick and needy animals. The Company also joined 'Wildlife SOS,' a non-profit organization that aims to save wildlife and India's Heritage.

Governance

The Company's Board comprises 7 directors from diverse backgrounds, with 5 (70%) independent directors and a woman Independent Director. The Board is diverse in skills and qualifications.

Mr. Murlidharan Swayabunathan and Mr. Raja Venkataraman were appointed non-executive directors in FY21, while Dr. Hanahalli Bhandimat Narayan Shetty retired in the same year due to his demise.



Source: Leveraged Growth

Risk Analysis

- **Input Price Volatility**

The critical raw materials for the Company, menthol and essential oils, have highly volatile prices. A substantial increase in the prices of these materials can adversely affect profitability. The inputs are subject to global demand and supply and geopolitical concerns, raising further concerns about these inputs' availability and price instability.

- **Supply Chain Disruptions**

Due to its logistics-heavy nature, the Company is susceptible to any disruption that may happen in the buy or sell-side supply chain. The recent war-led supply chain challenges and surge in transportation costs raised concerns for the Company, significantly impacting distribution, availability of input, and margins. The Company has responded to the concerns by maintaining sufficient stocks of vital raw materials to avoid any stock-out.

- **Changes in Government Regulations**

The Company faces a risk that the Government or other regulatory bodies may change policies regarding the import or usage of crucial inputs. The OTC and beverage segment of the Company faced a rise in packaging material costs due to certain restrictions on the use of plastic and the increase in polymer prices. The Company is further exposed to any changes in regulations of the healthcare products and beverages offered.

COVID-19 Impact

The Indian economy saw resilient growth despite COVID impacting the early part of FY22. The pandemic caused several supply chain issues, disrupting the distribution channel, adversely affecting the procurement of raw materials, and raising input costs.

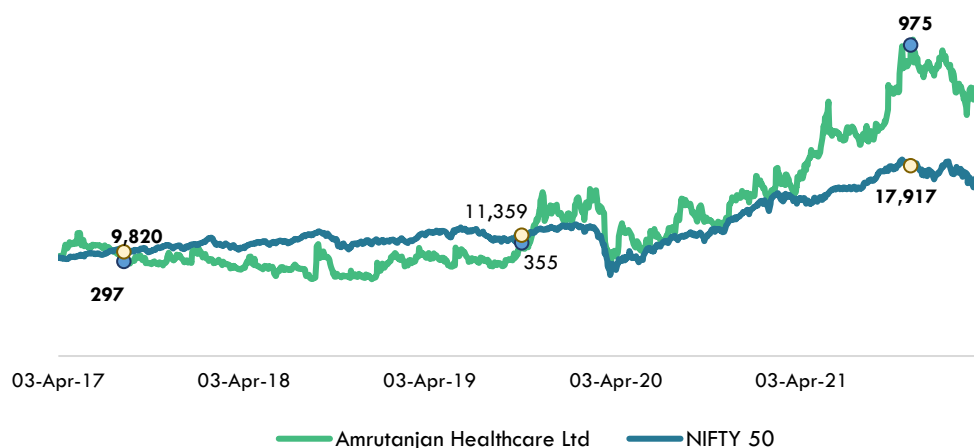
The pandemic boosted sales for congestion management products as consumers increased the use of balms and steam inhalation to counter the virus. Further, COVID-19 acted as a trigger point in digitizing and automating logistics, among other functions.

End Note

The Company has still not fully recovered from the aftermath of the pandemic. Additionally, the beverages segment seems to drag the profits and margins. However, the OTC segment has a positive outlook, driven by the digitization of operations, supply chain development, and rising incomes. Similarly, the sanitary napkins brand Comfy also foresees strong growth driven by awareness in rural regions. Despite its presence in the markets for over a century, the Company has failed to gain significant market share.

Can AHCL leverage its renewed operations & brand, Comfy, to increase market share?

Amrutanjan Healthcare Ltd. Vs. Nifty 50



Source: Leveraged Growth

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