

Amrutanjan Analysis

Statutory Warning: This is NOT an investment advice to buy or sell shares. Please make your own decision, as blindly acting on anyone else's research and opinions can be injurious to your wealth. I do not own the stock, but my analysis can be biased, and wrong. The below is my personal analysis for Education purpose. I am not a SEBI registered research analyst

Overview of the Company:

Amrutanjan Health Care is engaged in the business of manufacture, supply, sale of products in pain management, congestion management and health care, beverages & hygiene and chemicals.

Observations from Annual Report

Its Products cater into:

1. Pain Management
2. Beverages
3. Women Hygiene --> COMFY Brand
Comfy is Launched at Rs. 20 and targets Economy class --> In India 1.2% and in Orissa 10% Market Share
4. Congestion Management: Cough Syrup, Nasal Inhaler
5. Advanced Pain Management Centre (APMC) in Chennai

Rubefacient India Market is Rs. 1,081. 94% of Amrutanjan's revenue INR 252 Crore i.e. INR 237 Crore is from head category of Rubefacient.

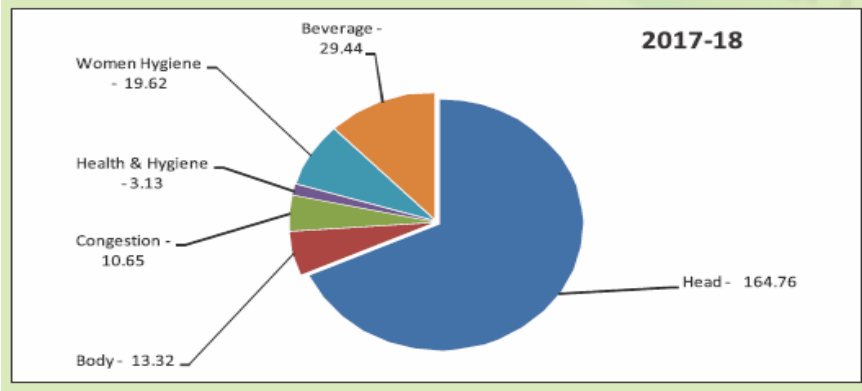
Head segment is growing @ 9% in India while for Amrutanjan it's growing at 14%.
6th Position as an OTC Brand.

It's Distribution reach has improved.

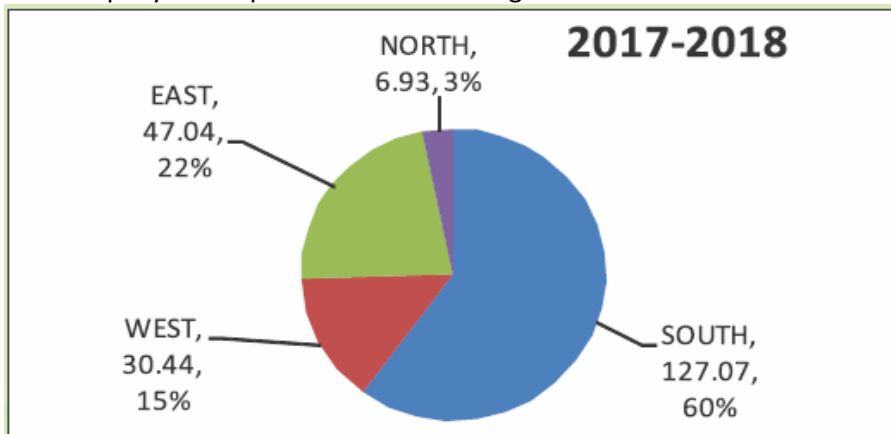
Comfy is reaching out to international Markets (Low Economy markets)

Exports (Rs. In lakhs)					
Market	2013-14	2014-15	2015-16	2016-17	2017-18
Africa	64	246	193	223	208
Middle East	30	89	34	63	82
South East Asia	31	10	14	8	79
Other Markets	27	13	16	20	13
Total	151	358	257	314	382

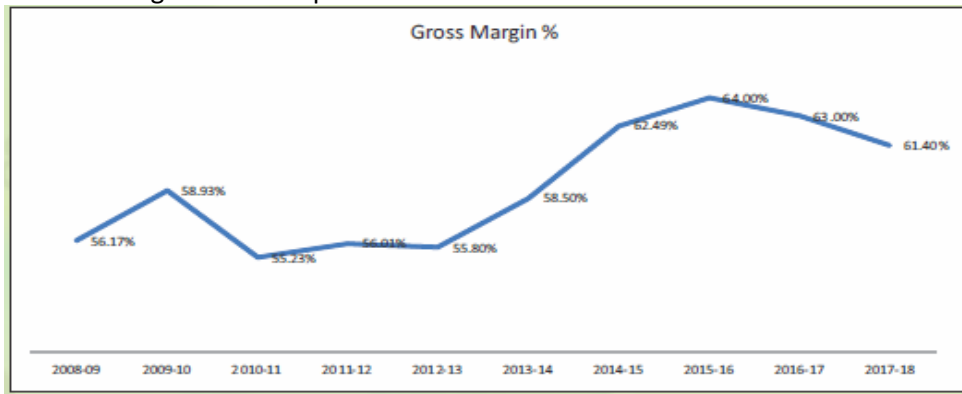
CATEGORY REVENUE CONTRIBUTION (value in cr)



The company can improve in non-south regions



Growth Margins declined post 2016



OTC is doing good but the **beverages division is not doing good**

Industry Wise (Porter's) Analysis

New Entrants: It's easy for new players to enter both into the balm business and the sanitary napkins business. **Negative**

Supplier Power: The Supply is for Oil based products for Balms, Fabric related for Napkins and for Beverages its Sugar and some fruit pulp all of which are commodities. Overall there is not much of

supplier power but these are commodities and are cyclical, so these can affect the profit margins.

Neutral

Competitive rivalry: Good Competitive Rivalry exists from a host of products. **Negative**

Buyer Power: There is not much control on buyers. **Negative**

Threat of substitution: For people with a mindset of economy Napkins has a big chance of improving market share. **Positive**

To Summarize New Entrants, Competitive Rivalry, Buyer Power Act Negatives. Supplier's don't have much control. Economical sanitary napkins (Comfy) seems to an area where the company can grow.

Balance Sheet Observations:

Positives:

Equity Share capital was reduced from FY09 to FY12. Its maintained after that.

Zero Debt company. Total Debt to Net worth is less as well.

Negatives:

NA

Overall it's a very **healthy balance sheet** and seems to be the company is very conservative.

P&L Observations

Positives:

Raw Materials % is maintained with a small fluctuation owing to cyclical nature of commodities

Net Profit Maintained

Operating Profit is Increasing/Maintained

Negatives:

Dividend amount is decreasing

Overall it's a very **healthy P&L** and shows the conservativeness of the Management (125 years' survival)

Cash Flow Observations

Negatives:

OCF is Decreasing

OCF is Lower than net income in 6 out of 10 times in past 10 years

OCF's are not consistent

Positives:

Operating Cash Flow is Positive and Sufficient to cover CAPEX

Overall OCF decreasing and less than Net Profit seems to be an issue.

Ratio Analysis:

Positives:

Financial Leverage --> Constant/Maintained

Asset Turnover --> Increasing

Negatives:

Net Profit Margin --> Decreasing from FY16 (Must be because of Raw Material prices increasing)

DuPont Model	Mar-09	Mar-10	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18
Net Profit Margin		13.7%	10.8%	10.3%	9.5%	11.0%	11.1%	12.9%	10.5%	8.9%
Asset Turnover		0.7	0.7	0.9	1.0	1.0	1.2	1.2	1.4	1.4
Financial Leverage		1.2	1.4	1.5	1.5	1.4	1.3	1.2	1.3	1.3
Return on Equity		12.4%	10.7%	14.4%	14.4%	15.7%	17.0%	19.9%	18.5%	16.3%

Overall the ROE average for 10 years is greater than 15% which is good.

Valuations:

- The **DCF Value** is Rs 72 and with a Margin on Safety of 30% the ideal buying range is Rs 50 So as per DCF the current CMP is **not attractive**
- **Residual:** With r at 12% and g of 9% the stock's CMP of Rs. 298 **is more** than the residual value of Rs.93
- The **EPV and APV** combined is Rs. 129 and the current stock price is 298, The additional amount of Rs. 169 must be the growth that's factored. Being a small cap I am skeptical about the Price

Checklist:

Less is More checklist:

Negatives: NA

Positives: It's a very conservative business. There might not be great pitfalls.

Things to watch out for (Possible Cover-up's):

None

Financial Shenanigans (Earnings Manipulations - Red Flags to watch out for):

None

A Business I Understand -> Yes

Good Long-Term Economics -> The company doesn't have a MOAT but Pitfalls seems to be less owing to the conservative nature of Management

Good Financial Strength -> Yes. Good Balance sheet, Positive FCF and average >15% ROE for the last many years. Operating Cash Flow less than Net Profit for a good number of Years is a cause of concern

Psychological Checklist: I don't have any BIAS on this Company Analysis

Management Analysis:

It's a Family owned business

Positives:

- 1) The MD is Young (S Shambu Prasad – 44 Years)
- 2) A team for Supply Chain Management, R&D, Sales in top management is present
- 3) Promoter, director and a Non- Executive Independent Director's stake has improved in 2019, 2018 and 2017 respectively
- 4) The management seems to be clean w.r.t. Frauds etc.

Negatives:

- 1) Other than MD and family there is not much holding from Management team in the stock
- 2) Independent Director's salaries range from 4 to 10 Lakhs. Company Secretary receives 18.9 L and CFO 8.4 L. I feel the remunerations are pretty low for people who needs to take decisions and execute.
- 3) 2nd Level leadership is not yet seen

Observations:

- 1) CFO was changed last year (This might not be a problem).
- 2) Key Management team salaries are not mentioned in AR

Competitive Landscape:

Zandu Balm (Emami owned) is the market leader in pain balm. Zandu was acquired by Emami in 2008. Zandu occupies 50% of market share and has Pan India presence. Amruthanjan has market mainly in South India (mainly Tamil Nadu), East and lesser extent in other parts in India.

In Sanitary Napkins Whisper (P&G) and Stayfree (J&J) are the market leaders. Comfy is targeting the Economy class.

Emami has a wide MOAT and seems to be reasonable priced currently (need to evaluate the reason) P&G Healthcare is India Listed company with a Narrow MOAT and highly overpriced

Peer Comparison:

Below is a comparison with Emami

Balance Sheet	AMRUTANJAN HEALTH CARE LTD	Emami
D/E	0.0000	0.2
Share Dilution	None	Multiple
Cash	More	Less
P&L	AMRUTANJAN HEALTH CARE LTD	Emami
Sales Growth (Avg)	11%	15%
Material Cost (Common Size Avg)	41%	40%
Employee Cost (Common Size Avg)	15%	8%
Net Profit (Common Size Avg)	21%	18%
Dividend (Common Size Avg)	5.18%	7.00%
Cash Flow	AMRUTANJAN HEALTH CARE LTD	Emami
FCF	Positive	Positive
OCF>Investing	Yes (8/10)	Yes (8/10)
OCF>Financing	Yes (8/10)	Yes (10/10)
OCF>Net Profit	No (3/10)	Yes (8/10)
Ratios (Average)	AMRUTANJAN HEALTH CARE	Emami

	LTD	
Inventory Days	50.3	83
Receivable Days	51.4	18
Current Ratio	2.9	2.0
Cash Conversion Cycle	28.7	Negative
Net Profit Margin	11%	17.60%
Asset Turnover	1.08	1.1
Financial Leverage	1.33	1.6
Return on Equity	15.5%	33.90%
Valuation	AMRUTANJAN HEALTH CARE LTD	Emami
CMP	300	300
DCF	72.11258916	150
Residual (g=0)	57.51087171	138
Residual (g=9%, R = 12%)	74.03876455	390
Residual (g=7%, R = 12%) @GDP	74	255
EPV (Total)	127.2	153.79
EPV	122.6	146.8
APV	4.7	7
Growth	0	0

Risks:

- 1) Increase in Raw Material costs (menthaoil). The chairman's letter emphasis this and expects to continue so for some time in future as well.
- 2) 2nd Level Leadership is not visible from the Family

Investment Decision

The Leadership is clean and have Skin in the game. The company doesn't have a good MOAT but a brand recall is possible.

There is heavy competition from established players like Emami and P&G. The price is not so attractive. I am a little skeptical about investing in the company currently but I would add this to watchlist and would like to do more analysis on its competitors (especially Emami)