

May 13, 2022

Q4FY22 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	611		607	
Sales (Rs. m)	35,948	39,934	35,948	39,934
% Chng.	-	-	-	-
EBITDA (Rs. m)	10,416	12,012	10,414	12,010
% Chng.	-	-	-	-
EPS (Rs.)	17.6	21.1	18.0	21.3
% Chng.	(2.1)	(1.2)	-	-

Key Financials - Standalone

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	28,805	32,314	35,948	39,934
EBITDA (Rs. m)	8,826	12,450	10,416	12,012
Margin (%)	30.6	38.5	29.0	30.1
PAT (Rs. m)	4,543	10,151	7,777	9,296
EPS (Rs.)	10.2	23.0	17.6	21.1
Gr. (%)	52.9	125.1	(23.4)	19.5
DPS (Rs.)	8.0	8.0	10.0	13.0
Yield (%)	1.9	1.9	2.3	3.0
RoE (%)	25.3	52.9	36.5	39.8
RoCE (%)	26.5	43.4	35.0	42.1
EV/Sales (x)	6.5	5.9	5.1	4.5
EV/EBITDA (x)	21.1	15.2	17.6	15.0
PE (x)	41.9	18.6	24.3	20.3
P/BV (x)	10.8	9.1	8.6	7.6

Key Data

EMAM.BO | HMN IN

52-W High / Low	Rs.622 / Rs.419
Sensex / Nifty	52,794 / 15,782
Market Cap	Rs.189bn/ \$ 2,436m
Shares Outstanding	441m
3M Avg. Daily Value	Rs.210.36m

Shareholding Pattern (%)

Promoter's	54.27
Foreign	12.72
Domestic Institution	24.32
Public & Others	8.69
Promoter Pledge (Rs bn)	36.02

Stock Performance (%)

	1M	6M	12M
Absolute	(8.1)	(23.2)	(12.4)
Relative	1.5	(11.7)	(19.2)

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Strong summer and valuations limit downside

Quick Pointers:

- Domestic volumes flat, rural slowdown continues in 4Q22
- 4.5% price hike in non LUP packs (76%-77% of portfolio)
- Summer portfolio gained traction in Apr-May'22 due to strong heat wave

Emami 4Q results were broadly in line with flat domestic volumes and YoY margin dip of 30 bps to 62.4%. Near term outlook remains intact due to low base in 1Q and strong heat wave even as rural sentiments are likely to recover with a lag (mostly in 2HFY23). Growth outlook remains positive with 1) Strong traction in summer portfolio 2) Management guidance of double digit revenue growth in international business 3) expanding reach in MT & ecommerce platforms in both D2C and e-B2B segments 4) revamped male grooming range & fair & handsome and 5) increasing ad-spend to gain market share. We believe margins will come under pressure in 1H23 due to inflation in LLP, Rice bran oil and packaging despite 4.5% increase in product prices (ex LUP).

HMN plans to build on digital first brands like Navratna therapy, Kesh King onion range and Crème 21 products, although it will not have any significant impact in near term. We estimate 11% PAT CAGR over FY22-24 and value the stock at 29x Mar24 EPS (earlier 30xDec23) and assign a value of Rs611/share (Rs 607 earlier). Retain Accumulate.

Domestic volume stood flat, Revenue up by 5.4%: Revenues grew by 5.4% YoY to Rs7.7bn (PLe: Rs7.6bn). Domestic revenues increased by 3% YoY driven by flat volumes, International business grew by 8%. Gross margins contracted by 30bps YoY to 62.4% (PLe 63%). EBITDA grew by 0.7% YoY to Rs1.6bn (PLe:Rs1.7bn). Margins contracted by 100bps YoY to 21.3% (PLe:22.4%). Adj PAT declined by 18.8% YoY to Rs0.7bn (PLe: Rs0.6bn). Reported PAT increased by 309.5% YoY to Rs 3.6bn due to MAT credit adjustment of Rs 2.9 bn.

Concall key takeaways: 1) Rural sentiments remain subdued, expect revival post monsoon in 2H23. 2) High inflation, 3rd Covid wave & price hikes lead to demand moderation in 4Q. 3) RM inflation will impact gross margin in 1Q23 by 200 bps even after price hikes. 4) Added 8000 rural towns this year under Project Khoj, HMN plans to add 32k towns in FY23. 5) Emami plans to aggressively invest in ad spend to increase traction in summer portfolio 6) International business is expected to post strong double digit growth from 2Q23. 7) Small LUPs/New launches contributed 23-24%/2% of total revenues 8) 4.5% price hike taken during 4Q22, no grammage rationalization undertaken in LUPs 9) Hair Oil: New launches (If any) would be in premium segment via e-commerce platform 10) Rural contribution stood at 54-55% for FY22 10) Overall tax rate for FY23 would be ~18%/19%. 11) Demand outlook for all products remain positive in 1Q23 barring pain management & healthcare range.

Exhibit 1: Revenues grew 5.4%, EBITDA margin declined by 100 bps

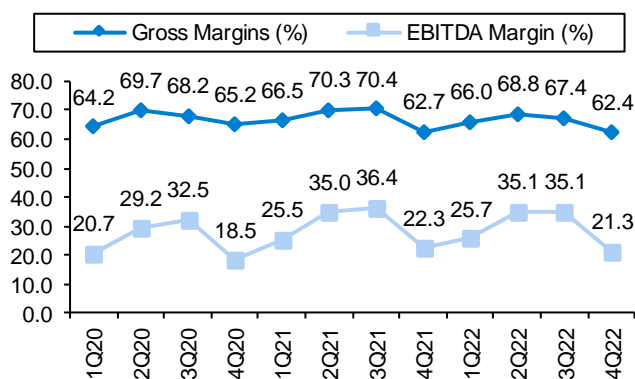
Y/e March	Q4FY22	Q4FY21	YoY gr. (%)	Q3FY22	FY22	FY21	YoY gr. (%)
Net Sales	7,704	7,308	5.4	9,719	31,920	28,805	10.8
Gross Profit	4,805	4,580	4.9	6,549	21,142	19,513	8.3
% of NS	62.4	62.7	-0.3	67.4	66.2	67.7	-1.5
Other Expenses	3,166	2,952	7.3	3,133	11,618	10,682	8.8
% of NS	41.1	40.4	0.7	32.2	36.4	37.1	(0.7)
EBITDA	1,639	1,628	0.7	3,415	9,524	8,831	7.8
Margins %	21.3	22.3	-1.0	35.1	29.8	30.7	-0.8
Depreciation	835	830	0.6	844	3,348	3,670	-8.8
Interest	18	47	-61.4	18	51	133	-61.8
Other Income	303	465	-34.9	166	953	703	35.5
PBT	1,090	1,216	-10.4	2,719	7,078	5,731	23.5
Tax	318	326	-2.2	491	1,394	1,142	22.1
Tax rate %	29.2	26.8		18.1	19.7	19.9	
Adjusted PAT	712	877	-18.8	2,195	5,538	4,547	21.8

Source: Company, PL

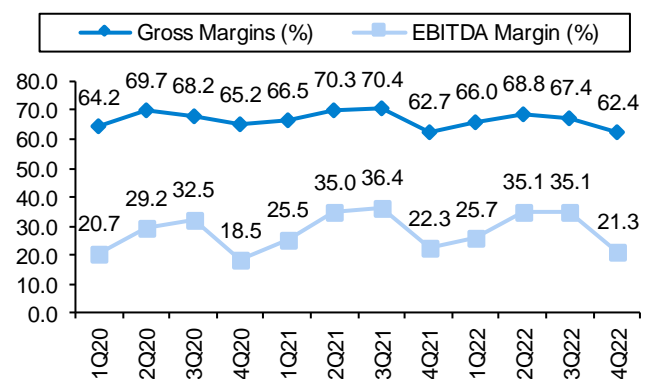
Exhibit 2: Kesh King & Boroplus sales declined 7% and 18%

Brand/segments	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Navratna	-12	-41	14	-12	28	21	-9	11	0
Boroplus	-77	28	-25	21	5x	96	29	2	-18
Pain Management	-5	15	31	12	38	70	6	7	4
7 Oils in one	5		9	32	39	93	NA	NA	NA
Kesh King	-26	-33	45	16	45	53	15	0	-7
Male Grooming	-42	-70	-24	5	26	78	15	3	4
Health Care	-9	23	53	38	67	59	5	-6	4

Source: Company, PL

Exhibit 3: 4Q22 Volumes flat YoY


Source: Company, PL

Exhibit 4: EBITDA margins declined by 100 bps YoY


Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	28,805	32,314	35,948	39,934
YoY gr. (%)	8.5	12.2	11.2	11.1
Cost of Goods Sold	9,297	10,779	12,510	13,449
Gross Profit	19,509	21,535	23,438	26,485
Margin (%)	67.7	66.6	65.2	66.3
Employee Cost	3,092	3,178	3,670	4,011
Other Expenses	991	1,201	1,338	1,468
EBITDA	8,826	12,450	10,416	12,012
YoY gr. (%)	27.8	41.1	(16.3)	15.3
Margin (%)	30.6	38.5	29.0	30.1
Depreciation and Amortization	3,670	3,338	2,309	1,758
EBIT	5,157	9,112	8,107	10,253
Margin (%)	17.9	28.2	22.6	25.7
Net Interest	133	127	139	80
Other Income	703	485	295	593
Profit Before Tax	5,727	9,470	8,262	10,767
Margin (%)	19.9	29.3	23.0	27.0
Total Tax	1,142	1,296	1,571	2,047
Effective tax rate (%)	19.9	13.7	19.0	19.0
Profit after tax	4,584	8,173	6,691	8,720
Minority interest	0	0	0	0
Share Profit from Associate	(42)	-	-	-
Adjusted PAT	4,543	10,151	7,777	9,296
YoY gr. (%)	49.9	123.4	(23.4)	19.5
Margin (%)	15.8	31.4	21.6	23.3
Extra Ord. Income / (Exp)	-	(1,977)	(1,085)	(575)
Reported PAT	4,543	8,173	6,692	8,720
YoY gr. (%)	44.8	79.9	(18.1)	30.3
Margin (%)	15.8	25.3	18.6	21.8
Other Comprehensive Income	614	-	-	-
Total Comprehensive Income	5,156	8,173	6,692	8,720
Equity Shares O/s (m)	445	441	441	441
EPS (Rs)	10.2	23.0	17.6	21.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	30,048	35,732	37,063	38,393
Tangibles	11,583	12,848	14,078	15,309
Intangibles	18,465	22,885	22,985	23,085
Acc: Dep / Amortization	18,836	22,174	24,483	26,241
Tangibles	3,910	4,776	5,729	6,769
Intangibles	14,926	17,398	18,754	19,473
Net fixed assets	11,212	12,999	12,580	12,152
Tangibles	7,673	7,398	8,349	8,540
Intangibles	3,538	5,601	4,231	3,612
Capital Work In Progress	64	31	31	31
Goodwill	-	242	242	242
Non-Current Investments	1,772	2,679	2,776	2,792
Net Deferred tax assets	(42)	2,763	(83)	(91)
Other Non-Current Assets	882	1,058	1,132	1,286
Current Assets				
Investments	4,272	395	5,265	8,015
Inventories	3,004	3,576	3,537	3,800
Trade receivables	2,318	3,209	2,561	2,735
Cash & Bank Balance	221	1,160	1,084	1,649
Other Current Assets	1,056	1,884	1,618	1,797
Total Assets	25,193	30,566	31,313	35,041
Equity				
Equity Share Capital	445	441	441	441
Other Equity	17,182	20,325	21,435	24,421
Total Network	17,627	20,766	21,876	24,862
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	230	252	278	306
Other non current liabilities	197	179	499	714
Current Liabilities				
ST Debt / Current of LT Debt	919	2,717	1,000	1,000
Trade payables	3,507	4,087	4,568	4,766
Other current liabilities	2,572	2,345	2,930	3,220
Total Equity & Liabilities	25,193	30,566	31,313	35,040

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	5,731	6,819	8,262	10,767
Add. Depreciation	3,694	3,338	2,309	1,758
Add. Interest	133	127	139	80
Less Financial Other Income	703	485	295	593
Add. Other	(563)	(600)	(203)	(498)
Op. profit before WC changes	8,995	9,685	10,507	12,107
Net Changes-WC	1,912	(5,051)	5,052	(40)
Direct tax	(1,142)	(1,296)	(1,571)	(2,047)
Net cash from Op. activities	9,765	3,337	13,988	10,021
Capital expenditures	(408)	(5,421)	(1,960)	(1,389)
Interest / Dividend Income	563	600	204	498
Others	(783)	(968)	-	-
Net Cash from Inv. activities	(628)	(5,789)	(1,756)	(891)
Issue of share cap. / premium	(1,645)	1,132	(1,170)	-
Debt changes	(1,183)	1,798	(1,717)	-
Dividend paid	(3,556)	(3,529)	(4,412)	(5,735)
Interest paid	(133)	(127)	(139)	(80)
Others	-	-	-	-
Net cash from Fin. activities	(6,517)	(727)	(7,437)	(5,815)
Net change in cash	2,620	(3,179)	4,794	3,315
Free Cash Flow	9,357	(2,084)	12,028	8,632

Source: Company Data, PL Research

Quarterly Financials (Rs m)

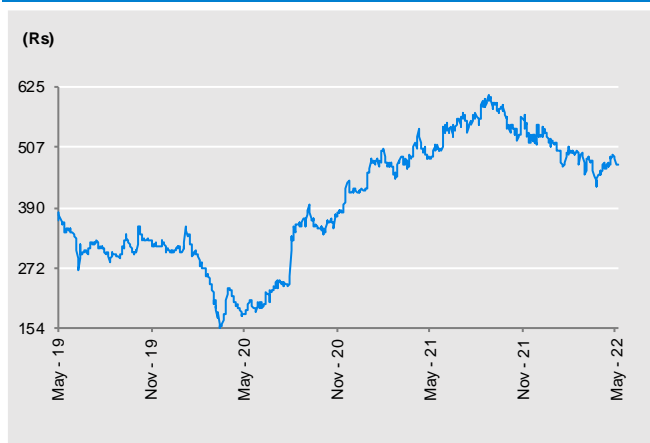
Y/e Mar	Q1FY22	Q2FY22	Q3FY22	Q4FY22
Net Revenue	6,610	7,888	9,719	7,704
YoY gr. (%)	37.3	7.4	4.1	5.4
Raw Material Expenses	2,246	2,464	3,170	2,899
Gross Profit	4,363	5,425	6,549	4,805
Margin (%)	66.0	68.8	67.4	62.4
EBITDA	1,697	2,772	3,415	1,639
YoY gr. (%)	38.0	7.8	0.4	0.7
Margin (%)	25.7	35.1	35.1	21.3
Depreciation / Depletion	830	839	844	835
EBIT	867	1,933	2,571	805
Margin (%)	13.1	24.5	26.5	10.4
Net Interest	6	8	18	18
Other Income	107	376	166	303
Profit before Tax	968	2,301	2,719	1,090
Margin (%)	14.6	29.2	28.0	14.1
Total Tax	175	410	491	318
Effective tax rate (%)	18.1	17.8	18.1	29.2
Profit after Tax	793	1,891	2,228	771
Minority interest	-	-	-	-
Share Profit from Associates	(15)	(38)	(33)	(59)
Adjusted PAT	778	1,853	2,195	712
YoY gr. (%)	97.0	56.5	5.1	(18.7)
Margin (%)	11.8	23.5	22.6	9.2
Extra Ord. Income / (Exp)	-	-	-	52
Reported PAT	778	1,853	2,195	764
YoY gr. (%)	96.5	56.4	5.1	(12.9)
Margin (%)	11.8	23.5	22.6	9.9
Other Comprehensive Income	270	72	-	231
Total Comprehensive Income	1,047	1,924	2,195	891
Avg. Shares O/s (m)	445	445	-	441
EPS (Rs)	1.8	4.2	-	1.6

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	10.2	23.0	17.6	21.1
CEPS	18.5	30.6	22.9	25.1
BVPS	39.7	47.1	49.6	56.4
FCF	21.1	(4.7)	27.3	19.6
DPS	8.0	8.0	10.0	13.0
Return Ratio(%)				
RoCE	26.5	43.4	35.0	42.1
ROIC	24.9	31.4	32.5	40.4
RoE	25.3	52.9	36.5	39.8
Balance Sheet				
Net Debt : Equity (x)	(0.2)	0.1	(0.2)	(0.3)
Net Working Capital (Days)	23	30	16	16
Valuation(x)				
PER	41.9	18.6	24.3	20.3
P/B	10.8	9.1	8.6	7.6
P/CEPS	23.2	14.0	18.7	17.1
EV/EBITDA	21.1	15.2	17.6	15.0
EV/Sales	6.5	5.9	5.1	4.5
Dividend Yield (%)	1.9	1.9	2.3	3.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Apr-22	Accumulate	607	464
2	27-Mar-22	Accumulate	607	449
3	03-Feb-22	Accumulate	624	498
4	06-Jan-22	Accumulate	624	511
5	29-Oct-21	Accumulate	624	536
6	06-Oct-21	Accumulate	624	545
7	02-Aug-21	Accumulate	624	573
8	05-Jul-21	BUY	579	564
9	25-May-21	BUY	579	500

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,511	3,086
2	Avenue Supermarts	Accumulate	5,345	4,146
3	Britannia Industries	BUY	3,770	3,385
4	Colgate Palmolive	Accumulate	1,664	1,565
5	Dabur India	Accumulate	603	529
6	Emami	Accumulate	607	464
7	Hindustan Unilever	BUY	2,384	2,145
8	ITC	BUY	285	268
9	Jubilant FoodWorks	Accumulate	3,230	2,792
10	Kansai Nerolac Paints	BUY	675	464
11	Marico	Accumulate	547	520
12	Mold-tek Packaging	BUY	781	705
13	Nestle India	Accumulate	19,426	18,203
14	Pidilite Industries	Hold	2,417	2,525
15	Restaurant Brands Asia	BUY	220	113
16	Titan Company	BUY	2,701	2,387
17	Westlife Development	BUY	645	497

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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