

November 6, 2023

Q2FY24 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	ACCUMULATE		ACCUMULATE	
Target Price	564		524	
Sales (Rs.m)	36,677	40,329	37,112	40,806
% Chng.	(1.2)	(1.2)		
EBITDA (Rs.m)	10,245	11,309	10,152	11,307
% Chng.	0.9	0.0		
EPS (Rs.)	19.6	21.0	18.9	20.5
% Chng.	3.6	2.1		

Key Financials - Standalone

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	34,057	36,677	40,329	44,337
EBITDA (Rs. m)	8,640	10,245	11,309	12,513
Margin (%)	25.4	27.9	28.0	28.2
PAT (Rs. m)	7,815	8,647	9,249	10,283
EPS (Rs.)	17.7	19.6	21.0	23.3
Gr. (%)	(27.9)	10.6	7.0	11.2
DPS (Rs.)	8.0	9.0	11.0	13.5
Yield (%)	1.5	1.7	2.1	2.6
RoE (%)	35.7	34.8	32.5	32.3
RoCE (%)	26.2	33.0	32.5	32.4
EV/Sales (x)	6.7	6.0	5.3	4.8
EV/EBITDA (x)	26.3	21.3	19.0	16.9
PE (x)	29.3	26.5	24.7	22.3
P/BV (x)	9.9	8.6	7.6	6.8

Key Data

EMAM.BO | HMN IN

52-W High / Low	Rs.583 / Rs.341
Sensex / Nifty	64,959 / 19,412
Market Cap	Rs.228bn/ \$ 2,746m
Shares Outstanding	440m
3M Avg. Daily Value	Rs.346.48m

Shareholding Pattern (%)

Promoter's	54.84
Foreign	11.91
Domestic Institution	25.22
Public & Others	8.03
Promoter Pledge (Rs bn)	17.70

Stock Performance (%)

	1M	6M	12M
Absolute	(1.5)	37.2	7.4
Relative	-	29.0	0.8

Amnish Aggarwal

arnishaggarwal@plindia.com | 91-22-66322233

Vishwa Solanki

vishwasolanki@plindia.com | 91-22-66322244

Emami (HMN IN)

Rating: ACCUMULATE | CMP: Rs519 | TP: Rs564

Cautiously optimistic, Winter to watch out for

Quick Pointers:

- Volumes up 2% led by robust growth in MT/E-com, GT sees decline.
- RM remains benign, aiming for ~250bps EBITDA margin expansion in FY24

We increase our FY24E/FY25E EPS estimates by 3.6%/2.1% following higher than expected gross margin expansion and higher volume growth at 2% in 2Q. Emami has given cautiously optimistic outlook given benign raw material prices, expected pickup in rural demand and likely traction from various new launches under Zandu and international business. 2Q saw volume growth of 2% led by robust growth in both MT & E-com channel. HMN remains positive on OTC Healthcare, Navratna & new launches under Boroplus.

Emami is investing for growth with 1) new launches in existing categories like Boroplus, Zandu, Kesh King and new product launches in D2C 2) investment in new D2C new age businesses & Modern Trade 3) increase in direct town coverage to 60k and 4) strengthen its healthcare portfolio with acquisition of Axiom Ayurveda (blend of fruit juice and aloe Vera). We estimate 9.6% PAT CAGR over FY23-26 and value the stock at 26x Sep25 EPS assigning a value of Rs564 (Rs524 earlier). Retain Accumulate.

Domestic volumes grow 2%, Revenue up by 6.3%: Revenues grew by 6.3% YoY to Rs8.6bn (PLe: Rs8.5bn). Domestic revenues increased by 4% driven by 2% volume growth, International business grew by 12%. Gross margins expanded by 345bps YoY to 70.1% (PLe: 66.0%). EBITDA grew by 19.6% YoY to Rs2.3bn (PLe: Rs2.2bn); Margins expanded by 301bps YoY to 27% (PLe:26.0%). Adj PAT declined by -0.1% YoY to Rs1.8bn (PLe:Rs 1.6bn). Declared interim dividend of Rs4/share.Growth across divisions – Boroplus: -4%, Male grooming: -7%, Navratna: 12%, Kesh King: -5%, Pain Management: 1% and HealthCare: 4%.

Concall key takeaways: 1) Demand has seen an uptick post July/August in anticipation of festive season 2) Channels such as MT/E-com grew at ~17-18%/50% taking salience to 24% of domestic sales. 3) MT/E-com have margin lower than GT, however gradual margin expansion is being seen in both this channel 4) GT decline led by challenging demand environment in medico business, however demand in 3Q seems promising 5) Rural markets are still muted, expected to bounce back due to govt spending & investments made through KHOJ initiative 6) International markets see double-digit growth led by robust performance in the SAARC & MENAP region 7) Boro plus & Kesh King suffered amid lower consumption demand 8)Chemist reach has grown by 20% to 125k outlets 9) Helios & Brillare contribution reached to 5% of sales 10) Kesh King Sales are cyclical in nature subject to promotional spending 11) Cool Oil range is facing some competition amid new launches by one of the leading FMCG player 12) Zandu care launched products across D2C portals including copper glasses to cater to all range of Ayurveda benefits. 13)Revenue expected to grow by high single digits for FY24 14) EBITDA margins to increase by 250bps in FY24

Exhibit 1: Revenues grew by 6.3%, EBITDA margin expanded by 301bps YoY

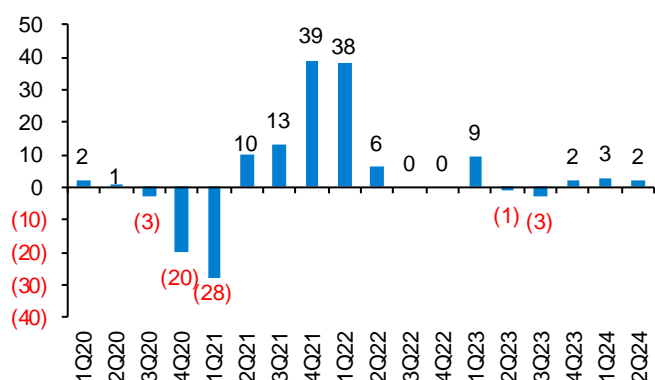
Y/e March	2QFY24	2QFY23	YoY gr. (%)	1QFY24	1HFY24	1HFY23	YoY gr. (%)
Net Sales	8,649	8,138	6.3	8,257	16,905	15,871	6.5
Gross Profit	6,061	5,422	11.8	5,401	11,462	10,294	11.3
% of NS	70.1	66.6	3.5	65.4	67.8	64.9	2.9
Other Expenses	3,724	3,468	7.4	3,501	7,225	6,607	9.3
% of NS	43.1	42.6	0.4	42.4	42.7	41.6	1.1
EBITDA	2,337	1,954	19.6	1,900	4,237	3,687	14.9
Margins %	27.0	24.0	3.0	23.0	25.1	23.2	1.8
Depreciation	461	479	-3.8	460	921	1,360	-32.3
Interest	23	18	27.8	21	44	43	3.3
Other Income	111	420	-73.5	83	194	483	-59.9
PBT	1,964	1,877	4.7	1,502	3,466	2,767	25.2
Tax	158	54	193.7	129	287	174	65.3
Tax rate %	8.1	2.9		8.6	8.3	6.3	
Adjusted PAT	1,800	1,801	-0.1	1,377	3,177	2,540	25.1

Source: Company, PL

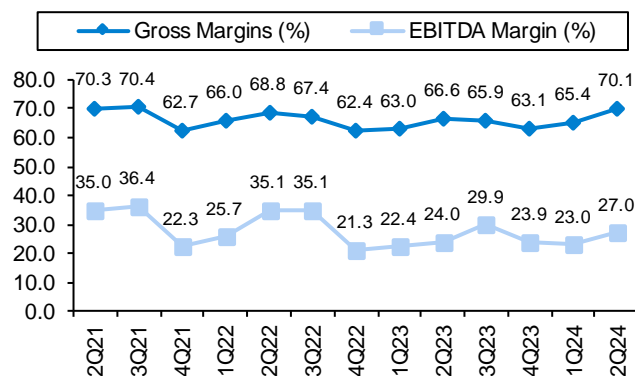
Exhibit 2: Navratna grew by 12% while Boroplus declined by 4%

Brand/segments	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Navratna	-9	11	0	29	-5	-6	-3	-8	12
Boroplus	29	2	-18	0	17	-3	-25	19	-4
Pain Management	6	7	4	-30	-13	-2	-9	13	1
7 Oils in one	NA	NA	NA	45	NA	5	NA	2	NA
Kesh King	15	0	-7	20	-10	-1	1	2	-5
Male Grooming	15	3	4	32	2	-1	29	0	-7
Health Care	5	-6	4	-25	-16	2	-13	11	4

Source: Company, PL

Exhibit 3: 2Q24 volumes grow by 2%


Source: Company, PL

Exhibit 4: EBITDA margin expanded by 301bps YoY


Source: Company, PL

Exhibit 5: Launched various new products under Zandu brand on Zanducare D2C portal

Digital first New Launches: Domestic Business





BoroPlus Glycerine Bathing Bar



Kesh King Organic Onion Hair Mask

New launches on Zanducare D2C Portal



Zandu Raughan-e-Badam Shireen



Zandu Ashwagandha Gold Plus



Zandu Shilajit Gold Plus



Zandu Chandraprash



Zandu Vigorex with Shilajit & Ashwagandha



Zandu Tamra Copper Jug & Tumbler



Zandu Ayurvedic Pain Relief Potli



Zandu Pure Honey Sunderban Forest



Zandu Pancharishtha Good Gut Detox Shot

Source: Company, PL

Exhibit 6: Launched UV protection cream and glycerin cream for International business

New Launches: International Business





Creme 21 Brightening Range – Cream and Lotion with UV Protection



Creme 21 Glycerin Cream

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	34,057	36,677	40,329	44,337
YoY gr. (%)	6.9	7.7	10.0	9.9
Cost of Goods Sold	12,001	11,899	13,104	14,405
Gross Profit	22,056	24,778	27,225	29,931
Margin (%)	64.8	67.6	67.5	67.5
Employee Cost	3,678	4,090	4,498	4,948
Other Expenses	1,369	1,325	1,420	1,524
EBITDA	8,640	10,245	11,309	12,513
YoY gr. (%)	(9.2)	18.6	10.4	10.6
Margin (%)	25.4	27.9	28.0	28.2
Depreciation and Amortization	2,472	1,789	1,843	1,945
EBIT	6,168	8,456	9,466	10,568
Margin (%)	18.1	23.1	23.5	23.8
Net Interest	74	74	74	66
Other Income	689	376	328	406
Profit Before Tax	6,783	8,758	9,720	10,908
Margin (%)	19.9	23.9	24.1	24.6
Total Tax	421	920	1,215	1,364
Effective tax rate (%)	6.2	10.5	12.5	12.5
Profit after tax	6,362	7,839	8,505	9,545
Minority interest	123	135	121	109
Share Profit from Associate	(75)	(50)	(50)	(50)
Adjusted PAT	7,815	8,647	9,249	10,283
YoY gr. (%)	(27.9)	10.6	7.0	11.2
Margin (%)	22.9	23.6	22.9	23.2
Extra Ord. Income / (Exp)	(1,406)	(723)	(672)	(679)
Reported PAT	6,164	7,654	8,334	9,385
YoY gr. (%)	(26.5)	24.2	8.9	12.6
Margin (%)	18.1	20.9	20.7	21.2
Other Comprehensive Income	(544)	-	-	-
Total Comprehensive Income	5,620	7,654	8,334	9,385
Equity Shares O/s (m)	441	441	441	441
EPS (Rs)	17.7	19.6	21.0	23.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	35,601	37,132	38,495	39,859
Tangibles	12,327	13,758	15,021	16,284
Intangibles	23,274	23,374	23,474	23,574
Acc: Dep / Amortization	24,014	25,803	27,647	29,592
Tangibles	5,492	6,474	7,549	8,717
Intangibles	18,522	19,330	20,098	20,875
Net fixed assets	11,587	11,329	10,849	10,267
Tangibles	6,834	7,284	7,472	7,567
Intangibles	4,752	4,045	3,376	2,700
Capital Work In Progress	63	63	63	63
Goodwill	682	682	682	682
Non-Current Investments	1,873	2,108	2,319	2,551
Net Deferred tax assets	3,502	(148)	(163)	(179)
Other Non-Current Assets	389	454	515	572
Current Assets				
Investments	1,134	1,701	2,551	3,826
Inventories	3,280	3,519	3,872	4,230
Trade receivables	4,146	4,019	4,420	4,859
Cash & Bank Balance	963	9,347	12,043	14,329
Other Current Assets	1,680	2,017	2,218	2,439
Total Assets	31,092	35,529	39,849	44,167
Equity				
Equity Share Capital	441	441	441	441
Other Equity	22,587	26,233	29,714	33,144
Total Network	23,028	26,674	30,155	33,585
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	277	305	335	369
Other non current liabilities	161	205	254	308
Current Liabilities				
ST Debt / Current of LT Debt	736	736	736	736
Trade payables	4,163	4,115	4,525	4,975
Other current liabilities	2,333	3,037	3,360	3,680
Total Equity & Liabilities	31,092	35,529	39,849	44,167

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	6,770	8,758	9,720	10,908
Add. Depreciation	2,081	1,789	1,843	1,945
Add. Interest	74	74	74	66
Less Financial Other Income	689	376	328	406
Add. Other	(666)	(362)	(291)	(348)
Op. profit before WC changes	8,259	10,260	11,346	12,571
Net Changes-WC	(624)	5,276	(178)	(199)
Direct tax	(421)	(920)	(1,215)	(1,364)
Net cash from Op. activities	7,214	14,616	9,953	11,008
Capital expenditures	(1,128)	(1,580)	(1,403)	(1,396)
Interest / Dividend Income	541	227	170	239
Others	832	(180)	(198)	(218)
Net Cash from Invt. activities	245	(1,533)	(1,431)	(1,375)
Issue of share cap. / premium	(310)	(87)	(50)	(50)
Debt changes	(1,901)	-	-	-
Dividend paid	(3,529)	(3,970)	(4,853)	(5,956)
Interest paid	(74)	(74)	(74)	(66)
Others	-	-	-	-
Net cash from Fin. activities	(5,814)	(4,131)	(4,976)	(6,072)
Net change in cash	1,645	8,952	3,546	3,562
Free Cash Flow	6,086	13,036	8,550	9,612

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	17.7	19.6	21.0	23.3
CEPS	23.3	23.7	25.1	27.7
BVPS	52.2	60.5	68.4	76.1
FCF	13.8	29.5	19.4	21.8
DPS	8.0	9.0	11.0	13.5
Return Ratio(%)				
RoCE	26.2	33.0	32.5	32.4
ROIC	21.3	34.5	37.5	40.6
RoE	35.7	34.8	32.5	32.3
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.4)	(0.5)	(0.5)
Net Working Capital (Days)	35	34	34	34
Valuation(x)				
PER	29.3	26.5	24.7	22.3
P/B	9.9	8.6	7.6	6.8
P/CEPS	22.2	21.9	20.6	18.7
EV/EBITDA	26.3	21.3	19.0	16.9
EV/Sales	6.7	6.0	5.3	4.8
Dividend Yield (%)	1.5	1.7	2.1	2.6

Source: Company Data, PL Research

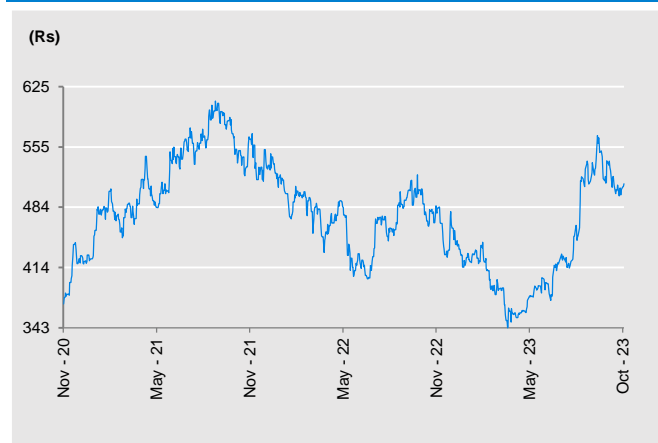
Quarterly Financials (Rs m)

Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	9,827	8,360	8,257	8,649
YoY gr. (%)	1.1	8.5	6.8	6.3
Raw Material Expenses	3,355	3,082	2,856	2,588
Gross Profit	6,472	5,278	5,401	6,061
Margin (%)	65.9	63.1	65.4	70.1
EBITDA	2,943	1,998	1,900	2,337
YoY gr. (%)	(13.8)	21.9	9.6	19.6
Margin (%)	29.9	23.9	23.0	27.0
Depreciation / Depletion	472	640	460	461
EBIT	2,470	1,358	1,440	1,876
Margin (%)	25.1	16.2	17.4	21.7
Net Interest	18	14	21	23
Other Income	69	138	83	111
Profit before Tax	2,521	1,482	1,502	1,964
Margin (%)	25.7	17.7	18.2	22.7
Total Tax	185	63	129	158
Effective tax rate (%)	7.3	4.2	8.6	8.1
Profit after Tax	2,336	1,420	1,373	1,806
Minority interest	(42)	(29)	(10)	-
Share Profit from Associates	(6)	(4)	(5)	(6)
Adjusted PAT	2,371	1,445	1,377	1,800
YoY gr. (%)	8.0	103.0	86.5	(0.1)
Margin (%)	24.1	17.3	16.7	20.8
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	2,371	1,445	1,377	1,800
YoY gr. (%)	8.0	89.2	86.5	(0.1)
Margin (%)	24.1	17.3	16.7	20.8
Other Comprehensive Income	(219)	(304)	46	112
Total Comprehensive Income	2,152	1,141	1,424	1,912
Avg. Shares O/s (m)	445	445	439	437
EPS (Rs)	5.3	3.3	3.1	4.1

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	Accumulate	524	527
2	07-Aug-23	Accumulate	517	460
3	06-Jul-23	Accumulate	517	427
4	25-May-23	Accumulate	517	384
5	11-Apr-23	Accumulate	485	359
6	03-Feb-23	Accumulate	516	420
7	06-Jan-23	Accumulate	521	420
8	11-Nov-22	Accumulate	555	465

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,387	2,960
2	Avenue Supermarts	BUY	4,724	3,920
3	Britannia Industries	Hold	4,801	4,527
4	Colgate Palmolive	Hold	1,948	2,034
5	Dabur India	Accumulate	597	530
6	Emami	Accumulate	524	527
7	Hindustan Unilever	Hold	2,786	2,548
8	ITC	Accumulate	492	450
9	Jubilant FoodWorks	Hold	505	529
10	Kansai Nerolac Paints	Accumulate	351	306
11	Marico	Hold	556	532
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	956	892
14	Nestle India	Accumulate	25,471	24,245
15	Pidilite Industries	Hold	2,610	2,454
16	Restaurant Brands Asia	Accumulate	142	125
17	Titan Company	Accumulate	3,387	3,275
18	Westlife Foodworld	Hold	844	883

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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Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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