

August 1, 2024

Q1FY25 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		UNDER REVIEW	
Target Price	831		-	
Sales (Rs. m)	39,724	43,355	39,724	43,355
% Chng.	-	-	-	-
EBITDA (Rs. m)	11,023	12,117	11,023	12,117
% Chng.	-	-	-	-
EPS (Rs.)	20.9	23.4	21.3	24.1
% Chng.	(2.3)	(2.9)	-	-

Key Financials - Standalone

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	34,057	35,781	39,724	43,355
EBITDA (Rs. m)	8,640	9,378	11,023	12,117
Margin (%)	25.4	26.2	27.7	27.9
PAT (Rs. m)	7,570	8,080	9,104	10,203
EPS (Rs.)	17.2	18.5	20.9	23.4
Gr. (%)	(29.9)	7.9	12.7	12.1
DPS (Rs.)	8.0	12.0	9.0	12.0
Yield (%)	1.0	1.5	1.1	1.5
RoE (%)	34.6	34.0	35.0	34.4
RoCE (%)	26.2	30.7	33.6	33.0
EV/Sales (x)	10.6	10.0	8.9	8.0
EV/EBITDA (x)	41.9	38.1	32.0	28.8
PE (x)	48.0	44.5	39.5	35.3
P/BV (x)	15.8	14.7	13.1	11.3

Key Data

EMAM.BO | HMN IN

52-W High / Low	Rs.850 / Rs.417
Sensex / Nifty	81,868 / 25,011
Market Cap	Rs.362bn/ \$ 4,322m
Shares Outstanding	439m
3M Avg. Daily Value	Rs.1159.27m

Shareholding Pattern (%)

Promoter's	54.84
Foreign	14.02
Domestic Institution	21.61
Public & Others	9.52
Promoter Pledge (Rs bn)	11.23

Stock Performance (%)

	1M	6M	12M
Absolute	14.3	65.3	78.3
Relative	10.9	44.6	44.7

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Emami (HMN IN)

Rating: HOLD | CMP: Rs824 | TP: Rs831

Rural and seasonal positivity factored in

Quick Pointers:

- Strong Summer leads to robust performance of Navratna, Cool Talc and Dermicool but also limits OOH consumption
- Kesh King & Male grooming still remain under pressure

We Cut FY26 EPS estimates by 2.9% due to tax guidance of 10-11% and higher amortization. Emami has shown 8.7% volume growth backed by strong growth from summer portfolio even as Kesh King, male grooming (ex Man Company) and Pain management reported decline in sales. New age business (The Man Company and Brillare) have achieved 23% sales growth while Man Company has achieved EBITDA breakeven. Emami is also promoting Digital First launches on Zanducare, which will boost healthcare portfolio and improve sales mix. Near term outlook seems positive on expected revival in rural demand, favorable seasonality and benign raw material prices. Emami is witnessing positive recovery in GT in both rural and Urban India while MT/ Ecom have sustained strong growth.

While the outlook seems positive, the stock has appreciated by ~90% in past 3 months and trades at 37.7x June26 EPS. We estimate 14% PAT CAGR over FY24-26 and value the stock at 38x Jun'26 assigning a value of Rs831 (Under Review earlier). We assign Hold rating on the stock.

Strong 1Q led by volume recovery: Revenues grew by 9.7% YoY to Rs9.1bn (PLe: Rs9 bn) Domestic revenues increased 10% driven by 8.7% volume growth, International business grew 10% (CCG of 11%) Gross margins expanded by 226bps YoY to 67.7% (PLe: 66.7%) EBITDA grew by 13.9% YoY to Rs2.2bn (PLe: Rs.2.2bn); Margins expanded by 88bps YoY to 23.9% (PLe:24.8%) on 190bps higher adspends. Adj PAT grew 10.8% YoY to Rs1.5bn (PLe:Rs 1.6bn). Growth was led by Navratna and Dermicool (27%) due to strong summers and was supplemented by 11% growth in Healthcare, 9% growth in 7 Oils in One & 4% in BoroPlus. Kesh King (15% de-growth), Pain Management (7% de-growth) & Male-grooming (5% de-growth) continue to remain under pressure

Concall takeaways: 1) HMN expects 5-6% volume growth along with 1-2% value growth in FY25 2) Rural markets have shown green shoots 3) HMN shall not be aggressive with price hikes in FY25 4) Margin guidance for current year is 26-27% even as A&P spends are likely to see 50-100 bps increase due to new launch pipeline 5) Modern trade, e-Commerce, and institutional channels continued to post strong growth, while GT begins to see some recovery 6) Kesh King continues to remain under pressure and growth is directly proportional to ad spends which are done biannually 7) Kesh King & Fair & Handsome growth is expected to bounce back in coming quarters 8) HMN is focusing on a new brand in shampoo category which has seen an exciting response so far 9) The Man Company & Brillare (~8% of revenue, Rs. 2.25bn in FY24), sales are expected to reach around Rs. 2.75bn with growth of 20-25% 10) Amortization guidance of Rs.0.92bn/ 0.88bn/0.75 bn for FY25/26/27 with effective tax rate guidance of 10-11% for FY25/FY26

Exhibit 1: Revenues grew by 8.7%, EBITDA margin expanded by 88bps YoY to 23.9%.

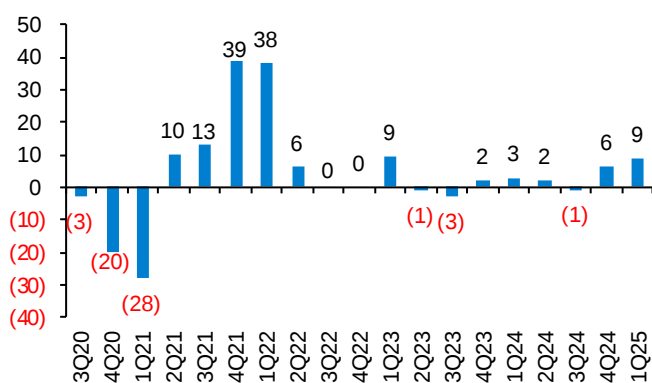
Y/e March	1QFY25	1QFY24	YoY gr. (%)	4QFY24	FY24	FY23	YoY gr. (%)
Net Sales	9,061	8,257	9.7	8,912	35,781	34,056	5.1
Gross Profit	6,131	5,401	13.5	5,863	24,176	22,044	9.7
% of NS	67.7	65.4	2.3	65.8	67.6	64.7	2.8
Other Expenses	3,966	3,501	13.3	3,753	14,680	13,416	9.4
% of NS	43.8	42.4	1.4	42.1	41.0	39.4	1.6
EBITDA	2,165	1,900	13.9	2,110	9,495	8,628	10.1
Margins %	23.9	23.0	0.9	23.7	26.5	25.3	1.2
Depreciation	444	460	-3.4	480	1,859	3,138	-40.8
Interest	21	21	-3.7	29	100	74	35.0
Other Income	105	83	26.3	107	468	689	-32.1
PBT	1,805	1,502	20.2	1,708	8,005	6,105	31.1
Tax	278	129	115.3	225	667	421	58.3
Tax rate %	15.4	8.6	6.8	13.2	8.3	6.9	1.4
Adjusted PAT	1,527	1,377	10.8	2,584	7,236	5,732	26.3

Source: Company, PL

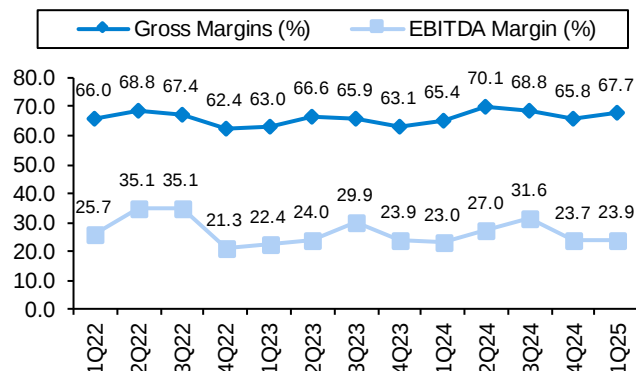
Exhibit 2: Navratna reported 27% growth while Kesh King/ Male grooming continued decline in volumes

Brand/segments	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Navratna	29	-5	-6	-3	-8	12	7	1	27
Boroplus	0	17	-3	-25	19	-4	-9	33	4
Pain Management	-30	-13	-2	-9	13	1	3	9	-7
7 Oils in one	45	NA	5	NA	2	NA	NA	NA	9
Kesh King	20	-10	-1	1	2	-5	7	-9	-15
Male Grooming	32	2	-1	29	0	-7	-6	-2	-5
Health Care	-25	-16	2	-13	11	4	0	10	11

Source: Company, PL

Exhibit 3: 1Q25 volumes grew by 8.7%


Source: Company, PL

Exhibit 4: GM expand by 188bps QoQ at 67.7%


Source: Company, PL

Exhibit 5: New Launches in 1Q



Source: Company, PL

Exhibit 6: 11% CCG growth in IBD (~15% contribution to overall sales)



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	34,057	35,781	39,724	43,355
YoY gr. (%)	6.9	5.1	11.0	9.1
Cost of Goods Sold	12,001	11,722	12,690	14,014
Gross Profit	22,056	24,058	27,034	29,340
Margin (%)	64.8	67.2	68.1	67.7
Employee Cost	3,678	3,956	4,352	4,787
Other Expenses	1,369	1,321	1,405	1,502
EBITDA	8,640	9,378	11,023	12,117
YoY gr. (%)	(9.2)	8.5	17.5	9.9
Margin (%)	25.4	26.2	27.7	27.9
Depreciation and Amortization	2,472	1,859	2,017	2,066
EBIT	6,168	7,519	9,006	10,051
Margin (%)	18.1	21.0	22.7	23.2
Net Interest	74	100	79	71
Other Income	689	468	442	683
Profit Before Tax	6,783	7,887	9,370	10,663
Margin (%)	19.9	22.0	23.6	24.6
Total Tax	421	667	960	1,120
Effective tax rate (%)	6.2	8.5	10.3	10.5
Profit after tax	6,362	7,221	8,410	9,543
Minority interest	123	(5)	(5)	(4)
Share Profit from Associate	(75)	-	-	-
Adjusted PAT	7,570	8,080	9,104	10,203
YoY gr. (%)	(29.9)	6.7	12.7	12.1
Margin (%)	22.2	22.6	22.9	23.5
Extra Ord. Income / (Exp)	(1,406)	(854)	(690)	(655)
Reported PAT	6,164	7,226	8,414	9,547
YoY gr. (%)	(26.5)	17.2	16.5	13.5
Margin (%)	18.1	20.2	21.2	22.0
Other Comprehensive Income	(544)	(20)	-	-
Total Comprehensive Income	5,620	7,205	8,414	9,547
Equity Shares O/s (m)	441	437	437	437
EPS (Rs)	17.2	18.5	20.9	23.4

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	35,601	36,036	38,508	39,883
Tangibles	12,327	12,750	15,122	16,397
Intangibles	23,274	23,286	23,386	23,486
Acc: Dep / Amortization	24,014	25,873	27,890	29,956
Tangibles	5,492	6,419	7,516	8,709
Intangibles	18,522	19,454	20,373	21,247
Net fixed assets	11,587	10,164	10,618	9,927
Tangibles	6,834	6,331	7,605	7,688
Intangibles	4,752	3,832	3,013	2,239
Capital Work In Progress	63	75	75	75
Goodwill	682	682	682	682
Non-Current Investments	1,873	2,951	3,225	3,546
Net Deferred tax assets	3,502	4,271	3,517	3,505
Other Non-Current Assets	389	364	559	605
Current Assets				
Investments	1,134	1,610	5,500	8,250
Inventories	3,280	3,234	3,791	4,129
Trade receivables	4,146	4,942	4,353	4,751
Cash & Bank Balance	963	2,014	1,904	3,598
Other Current Assets	1,680	1,606	2,185	2,385
Total Assets	31,092	32,788	36,821	41,904
Equity				
Equity Share Capital	441	437	437	437
Other Equity	22,587	24,029	27,125	31,385
Total Network	23,028	24,466	27,562	31,821
Non-Current Liabilities				
Long Term borrowings	-	-	-	-
Provisions	277	153	169	185
Other non current liabilities	161	147	194	247
Current Liabilities				
ST Debt / Current of LT Debt	736	785	785	785
Trade payables	4,163	4,546	4,390	4,835
Other current liabilities	2,333	2,248	3,210	3,485
Total Equity & Liabilities	31,092	32,788	36,821	41,904

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	6,770	8,005	9,370	10,663
Add. Depreciation	2,081	1,859	2,017	2,066
Add. Interest	74	100	79	71
Less Financial Other Income	689	468	442	683
Add. Other	(666)	(314)	(280)	(512)
Op. profit before WC changes	8,259	9,649	11,186	12,288
Net Changes-WC	(624)	(270)	1,449	(174)
Direct tax	(421)	(667)	(960)	(1,120)
Net cash from Op. activities	7,214	8,712	11,674	10,995
Capital expenditures	(1,128)	(554)	(2,501)	(1,400)
Interest / Dividend Income	541	319	284	516
Others	591	(1,005)	(281)	(309)
Net Cash from Invt. activities	4	(1,240)	(2,497)	(1,193)
Issue of share cap. / premium	(310)	(655)	(1,390)	(50)
Debt changes	(1,901)	49	-	-
Dividend paid	(3,529)	(5,238)	(3,929)	(5,238)
Interest paid	(74)	(100)	(79)	(71)
Others	-	-	-	-
Net cash from Fin. activities	(5,814)	(5,944)	(5,397)	(5,359)
Net change in cash	1,403	1,528	3,780	4,444
Free Cash Flow	6,086	8,159	9,173	9,595

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	17.2	18.5	20.9	23.4
CEPS	22.8	22.8	25.5	28.1
BVPS	52.2	56.1	63.1	72.9
FCF	13.8	18.7	21.0	22.0
DPS	8.0	12.0	9.0	12.0
Return Ratio(%)				
RoCE	26.2	30.7	33.6	33.0
ROIC	21.3	25.8	30.6	33.4
RoE	34.6	34.0	35.0	34.4
Balance Sheet				
Net Debt : Equity (x)	(0.1)	(0.1)	(0.2)	(0.3)
Net Working Capital (Days)	35	37	35	34
Valuation(x)				
PER	48.0	44.5	39.5	35.3
P/B	15.8	14.7	13.1	11.3
P/CEPS	36.2	36.2	32.3	29.3
EV/EBITDA	41.9	38.1	32.0	28.8
EV/Sales	10.6	10.0	8.9	8.0
Dividend Yield (%)	1.0	1.5	1.1	1.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	8,649	9,963	8,912	9,061
YoY gr. (%)	6.3	1.4	6.6	9.7
Raw Material Expenses	2,588	3,112	3,050	2,930
Gross Profit	6,061	6,851	5,863	6,131
Margin (%)	70.1	68.8	65.8	67.7
EBITDA	2,337	3,149	2,109	2,165
YoY gr. (%)	19.6	7.0	5.5	13.9
Margin (%)	27.0	31.6	23.7	23.9
Depreciation / Depletion	461	458	480	444
EBIT	1,876	2,691	1,629	1,721
Margin (%)	21.7	27.0	18.3	19.0
Net Interest	23	27	29	21
Other Income	111	167	107	105
Profit before Tax	1,964	2,831	1,707	1,805
Margin (%)	22.7	28.4	19.2	19.9
Total Tax	158	155	225	278
Effective tax rate (%)	8.1	5.5	13.2	15.4
Profit after Tax	1,806	2,676	1,482	1,527
Minority interest	-	22	(23)	(21)
Share Profit from Associates	(6)	(10)	(16)	(21)
Adjusted PAT	1,800	2,643	1,489	1,527
YoY gr. (%)	(0.1)	11.5	3.0	10.8
Margin (%)	20.8	26.5	16.7	16.8
Extra Ord. Income / (Exp)	-	(59)	-	-
Reported PAT	1,800	2,584	1,489	1,527
YoY gr. (%)	(0.1)	9.0	3.0	10.8
Margin (%)	20.8	25.9	16.7	16.8
Other Comprehensive Income	112	(120)	(54)	(11)
Total Comprehensive Income	1,912	2,583	1,435	1,516
Avg. Shares O/s (m)	437	445	445	439
EPS (Rs)	4.1	5.9	3.3	3.5

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-24	UR	-	725
2	30-May-24	Accumulate	574	524
3	09-Apr-24	Accumulate	496	457
4	09-Feb-24	Accumulate	561	485
5	08-Jan-24	Accumulate	565	555
6	06-Nov-23	Accumulate	564	519
7	07-Oct-23	Accumulate	524	527
8	07-Aug-23	Accumulate	517	460

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	2,974
2	Avenue Supermarts	Accumulate	5,104	5,027
3	Britannia Industries	Hold	5,315	5,547
4	Colgate Palmolive	Reduce	2,743	3,210
5	Dabur India	UR	-	606
6	Emami	UR	-	725
7	Hindustan Unilever	Hold	2,698	2,766
8	ITC	Accumulate	491	434
9	Jubilant FoodWorks	UR	-	570
10	Kansai Nerolac Paints	Reduce	284	307
11	Marico	Accumulate	621	615
12	Metro Brands	Hold	1,190	1,218
13	Mold-tek Packaging	Accumulate	843	796
14	Nestle India	Accumulate	2,746	2,481
15	Pidilite Industries	Accumulate	3,141	3,100
16	Restaurant Brands Asia	Accumulate	134	110
17	Titan Company	Accumulate	3,545	3,269
18	Westlife Foodworld	Hold	791	833

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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