

We hosted Emami's management team—Mohan Goenka (Director), Manish Gupta (Head of Sales), and Rajesh Sharma (Sr VP finance and IR)—and a group of investors, as part of our Emkay Connect initiative. We remain positive on Emami as we expect steady rebound in rural demand, better seasonality, and enhanced execution, backed by a proficient management team. For FY25, mgmt endeavor is to achieve double-digit domestic revenue growth via its strategy ahead to improve urban demand as a growth-transformation project. D2C brands are likely to drive ~30% domestic growth. We retain BUY on Emami and Rs950/sh Jun-25E TP, based on 44x P/E. Buoyed by competent management and favorable seasonality, Emami is one of the better rural recovery plays. Its improving financial performance grants comfort on valuations.

**Emami: Financial Snapshot (Consolidated)**

Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	34,057	35,781	39,116	42,208	45,598
EBITDA	8,628	9,495	10,873	11,962	13,293
Adj. PAT	6,401	7,273	8,268	9,134	10,176
Adj. EPS (Rs)	14.5	16.7	18.9	20.9	23.3
EBITDA margin (%)	25.3	26.5	27.8	28.3	29.2
EBITDA growth (%)	(9.4)	10.1	14.5	10.0	11.1
Adj. EPS growth (%)	(11.7)	14.9	13.7	10.5	11.4
RoE (%)	29.2	30.6	29.2	26.9	26.7
RoIC (%)	35.4	41.4	48.7	55.3	63.1
P/E (x)	54.3	47.3	41.6	37.7	33.8
EV/EBITDA (x)	40.2	36.1	30.8	27.7	24.5
P/B (x)	15.1	14.1	10.7	9.6	8.5
FCFF yield (%)	2.0	2.2	2.5	2.7	3.1

Source: Company, Emkay Research

**Shifting gear – To Urban (new-age users) from Rural (traditional users)**

Emami continues to be more dependent on Rural, which contributes 52% of its total revenue. It has, under 'Project Khoj', been aggressively expanding into Rural areas. Having now established a healthy village reach, Emami, under new sales head Manish Gupta, targets charting its expansion journey in Urban (under its growth transformation project) and will hence increase focus on new-age consumers. Mgmt sees faster growth in modern retail channels where it is looking to expand presence. Emami has invested in five platforms in D2C, which is an added growth lever. Emami aspires for an expanded-brand portfolio in the medium term. It has tied up with consultancy firm BCG for 3 years, to revive brands *Kesh King* (hair oil; accounts for 2/3<sup>rds</sup> of brand's sales; lackluster show lately and seeing decline) and *Boroplus* (strong brand equity; to better leverage). For its other brand—*Fair and Handsome*, which is facing competition, Emami is looking to reduce reliance on cream, while offering other line extensions. Its international business is likely to see double-digit growth in FY25, albeit amid a tough economic setting.

**Focus on double-digit growth in FY25, with steady margins**

As against a mid-single-digit revenue growth in the last 5 years (organic: ~3.5% CAGR), mgmt is looking to drive a low double-digit growth in FY25, with organic growth likely at ~7-8%. Mgmt seems confident about its strategy ahead, on the back of its professional team. After ~10% growth in Q1, we see 6-7% growth in Q2 and expect growth to revive to double digits Q3 onward. Management sees the margin profile remaining healthy; any margin improvement will be deployed toward spending for brands. Mgmt is engaging with modern retail partners for spends on channels, where it aims to improve margins.

**Better execution to gradually reflect in performance; maintain BUY**

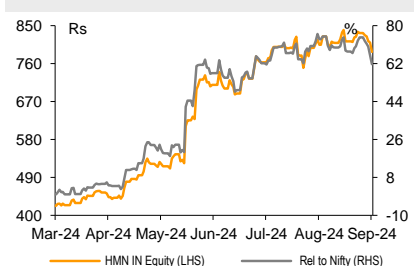
We stay positive on Emami, as we expect better growth under its proficient team and due to favorable seasonality. Valuation gap with listed mainstream FMCG peers has reduced and is likely to narrow further, with better performance. We retain BUY on Emami and Jun-25E TP of Rs950/share, on P/E of 44x.

Target Price – 12M	Jun-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	20.6
CMP (13-Sep-24) (Rs)	788.1

Stock Data	HMN
52-week High (Rs)	860
52-week Low (Rs)	417
Shares outstanding (mn)	439.1
Market-cap (Rs bn)	346
Market-cap (USD mn)	4,124
Net-debt, FY14E (Rs mn)	-2,034
ADTV-3M (mn shares)	1
ADTV-3M (Rs mn)	830.5
ADTV-3M (USD mn)	9.9
Free float (%)	45.5
Nifty-50	25,357
INR/USD	83.9
<b>Shareholding, Jun-24</b>	
Promoters (%)	54.8
FPIs/MFs (%)	14.0/21.6

Price Performance			
(%)	1M	3M	12M
Absolute	(3.5)	11.6	39.4
Rel. to Nifty	(8.2)	2.9	10.3

**1-Year share price trend (Rs)**



**Nitin Gupta**

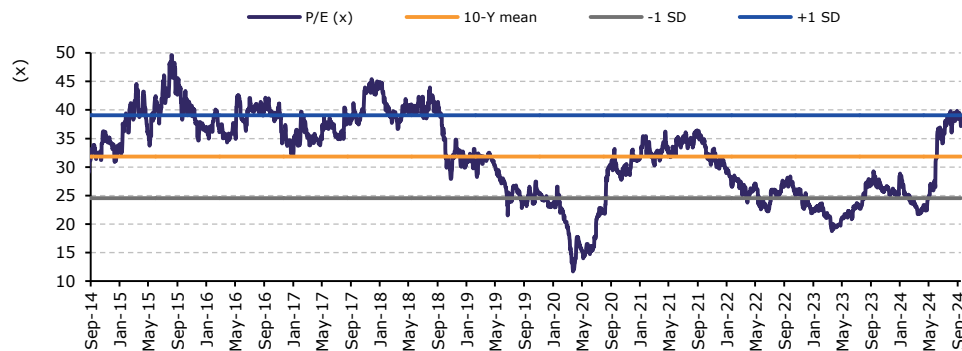
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## Valuations

Exhibit 1: Emami's one-year forward P/E trend (on consensus)



Source: Bloomberg, Emkay Research

Exhibit 2: Key assumptions

	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth</b>							
Domestic sales growth	8.5%	7.0%	4.4%	4.2%	9.7%	7.9%	7.9%
Volume growth	7.8%	10.9%	1.2%	1.2%	4.0%	4.0%	4.0%
Realization growth	0.7%	-3.5%	3.2%	2.9%	5.5%	3.8%	3.7%
International sales growth	13.3%	7.0%	19.1%	9.0%	8.0%	8.0%	9.0%
International sales contribution	17.0%	15.0%	16.9%	17.5%	17.3%	17.3%	17.5%
Consolidated revenue growth	9.2%	7.0%	6.6%	5.0%	9.4%	7.9%	8.1%
Consolidated EBITDA growth	27.9%	7.9%	-9.4%	10.1%	14.5%	10.0%	11.1%
Consolidated earnings growth	31.9%	8.3%	-11.7%	13.6%	13.7%	10.5%	11.4%
<b>As a % of sales</b>							
Gross margin	67.7%	66.3%	64.7%	67.6%	68.5%	68.8%	69.0%
Employee costs	10.7%	10.0%	10.8%	11.1%	10.9%	10.9%	10.9%
A&P spends	15.9%	16.4%	16.5%	18.2%	18.5%	18.5%	18.3%
Other operating expenses	10.4%	10.1%	12.1%	11.7%	11.3%	11.0%	10.7%
EBITDA margin	30.7%	29.9%	25.3%	26.5%	27.8%	28.3%	29.2%
<b>Per-share data (Rs)</b>							
EPS	15.1	16.4	14.5	16.7	18.9	20.9	23.3
DPS	8.0	8.0	8.0	8.0	10.0	11.0	12.0
Pay-out	53%	49%	55%	48%	53%	53%	51%
<b>Balance-sheet assumptions</b>							
Receivable days (no of)	34	32	39	46	38	38	38
Inventory days (no of)	35	38	37	33	35	35	35
Payable days (no of)	43	43	44	44	45	45	45
Avg ROE	37%	38%	29%	31%	29%	27%	27%
Avg ROCE	40%	41%	32%	35%	34%	32%	31%
Avg ROIC	42%	43%	32%	37%	43%	49%	56%

Source: Company, Emkay Research

Emami: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Revenue	34,057	35,781	39,116	42,208	45,598
Revenue growth (%)	6.9	5.1	9.3	7.9	8.0
EBITDA	8,628	9,495	10,873	11,962	13,293
EBITDA growth (%)	(9.4)	10.1	14.5	10.0	11.1
Depreciation & Amortization	974	927	927	977	1,027
EBIT	7,654	8,568	9,946	10,985	12,266
EBIT growth (%)	(10.8)	11.9	16.1	10.4	11.7
Other operating income	437	478	502	527	553
Other income	351	468	550	600	630
Financial expense	74	100	100	100	100
PBT	7,931	8,936	10,396	11,485	12,796
Extraordinary items	(5)	(38)	(494)	(494)	(494)
Taxes	1,577	1,620	2,079	2,297	2,559
Minority interest	47	(43)	(49)	(54)	(61)
Income from JV/Associates	0	0	0	0	0
Reported PAT	6,396	7,236	7,774	8,640	9,682
PAT growth (%)	(23.8)	13.1	7.4	11.1	12.1
Adjusted PAT	6,401	7,273	8,268	9,134	10,176
Diluted EPS (Rs)	14.5	16.7	18.9	20.9	23.3
Diluted EPS growth (%)	(11.7)	14.9	13.7	10.5	11.4
DPS (Rs)	8.0	8.0	10.0	11.0	12.0
Dividend payout (%)	55.2	48.3	56.1	55.6	54.1
EBITDA margin (%)	25.3	26.5	27.8	28.3	29.2
EBIT margin (%)	22.5	23.9	25.4	26.0	26.9
Effective tax rate (%)	19.9	18.1	20.0	20.0	20.0
NOPLAT (pre-IndAS)	6,132	7,015	7,957	8,788	9,813
Shares outstanding (mn)	441.2	436.5	436.5	436.5	436.5

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
PBT	7,931	8,936	10,396	11,485	12,796
Others (non-cash items)	(365)	12	0	0	0
Taxes paid	(1,170)	(1,463)	(2,079)	(2,297)	(2,559)
Change in NWC	(112)	(337)	868	25	29
Operating cash flow	7,489	7,790	10,180	10,249	11,340
Capital expenditure	(301)	(288)	(1,752)	(1,200)	(1,200)
Acquisition of business	0	0	0	0	0
Interest & dividend income	90	131	0	0	0
Investing cash flow	(602)	(2,054)	(1,752)	(1,200)	(1,200)
Equity raised/(repaid)	(10)	(2,291)	0	0	0
Debt raised/(repaid)	89	(133)	143	0	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(60)	(99)	(100)	(100)	(100)
Dividend paid (incl tax)	(3,529)	(3,492)	(4,365)	(4,802)	(5,238)
Others	(2,566)	385	4,213	0	0
Financing cash flow	(6,076)	(5,630)	(109)	(4,902)	(5,338)
Net chg in Cash	687	62	8,319	4,148	4,802
OCF	7,489	7,790	10,180	10,249	11,340
Adj. OCF (w/o NWC chg.)	7,601	8,127	9,312	10,224	11,312
FCFF	7,188	7,502	8,428	9,049	10,140
FCFE	7,204	7,533	8,328	8,949	10,040
OCF/EBITDA (%)	86.8	82.0	93.6	85.7	85.3
FCFE/PAT (%)	112.5	103.6	100.7	98.0	98.7
FCFF/NOPLAT (%)	117.2	106.9	105.9	103.0	103.3

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Share capital	441	437	437	437	437
Reserves & Surplus	22,587	24,029	31,651	35,490	39,934
Net worth	23,028	24,466	32,088	35,926	40,371
Minority interests	100	111	111	111	111
Deferred tax liability (net)	(3,502)	(4,271)	(4,271)	(4,271)	(4,271)
Total debt	1,334	1,180	1,323	1,323	1,323
Total liabilities & equity	20,959	21,486	29,251	33,090	37,534
Net tangible fixed assets	11,772	10,463	10,674	10,280	9,836
Net intangible assets	942	882	892	903	914
Net ROU assets	0	0	0	0	0
Capital WIP	63	67	63	63	63
Goodwill	682	682	682	682	682
Investments [JV/Associates]	1,800	2,805	2,805	2,805	2,805
Cash & equivalents	1,848	2,014	10,333	14,480	19,283
Current assets (ex-cash)	11,038	12,187	11,930	12,649	13,431
Current Liab. & Prov.	7,801	8,188	8,813	9,578	10,418
NWC (ex-cash)	4,535	5,256	4,484	4,559	4,634
Total assets	20,959	21,486	29,251	33,090	37,534
Net debt	(514)	(834)	(9,010)	(13,158)	(17,960)
Capital employed	20,959	21,486	29,251	33,090	37,534
Invested capital	17,248	16,600	16,050	15,741	15,383
BVPS (Rs)	52.2	56.1	73.5	82.3	92.5
Net Debt/Equity (x)	0.0	0.0	(0.3)	(0.4)	(0.4)
Net Debt/EBITDA (x)	(0.1)	(0.1)	(0.8)	(1.1)	(1.4)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	37.9	42.6	41.4	37.2	36.5

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY23	FY24	FY25E	FY26E	FY27E
P/E (x)	54.3	47.3	41.6	37.7	33.8
P/CE(x)	47.7	42.4	37.8	34.4	31.0
P/B (x)	15.1	14.1	10.7	9.6	8.5
EV/Sales (x)	10.3	9.7	8.7	7.9	7.2
EV/EBITDA (x)	40.2	36.1	30.8	27.7	24.5
EV/EBIT(x)	45.8	40.5	34.1	30.5	26.9
EV/IC (x)	20.3	20.9	21.1	21.3	21.4
FCFF yield (%)	2.0	2.2	2.5	2.7	3.1
FCFE yield (%)	2.1	2.2	2.4	2.6	2.9
Dividend yield (%)	1.0	1.0	1.3	1.4	1.5
DuPont-RoE split					
Net profit margin (%)	18.8	20.3	21.1	21.6	22.3
Total asset turnover (x)	1.6	1.7	1.5	1.4	1.3
Assets/Equity (x)	1.0	0.9	0.9	0.9	0.9
RoE (%)	29.2	30.6	29.2	26.9	26.7
DuPont-RoIC					
NOPLAT margin (%)	18.0	19.6	20.3	20.8	21.5
IC turnover (x)	2.0	2.1	2.4	2.7	2.9
RoIC (%)	35.4	41.4	48.7	55.3	63.1
Operating metrics					
Core NWC days	(6.6)	(6.2)	(5.9)	(6.1)	(6.8)
Total NWC days	48.6	53.6	41.8	39.4	37.1
Fixed asset turnover	0.9	1.0	1.0	1.1	1.1
Opex-to-revenue (%)	39.4	41.0	40.7	40.4	39.8

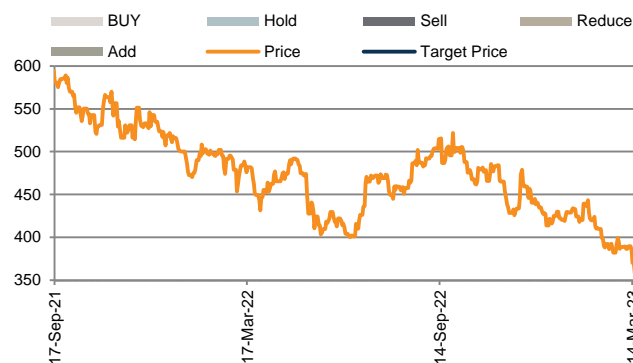
Source: Company, Emkay Research

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
02-Aug-24	779	950	Buy	Nitin Gupta
02-Aug-24	779	950	Buy	Nitin Gupta
04-Jul-24	739	850	Buy	Nitin Gupta
04-Jul-24	739	850	Buy	Nitin Gupta
30-May-24	612	625	Buy	Nitin Gupta
30-May-24	612	625	Buy	Nitin Gupta
13-May-24	519	600	Buy	Nitin Gupta
13-May-24	519	600	Buy	Nitin Gupta
13-May-24	519	600	Buy	Nitin Gupta
13-May-24	519	600	Buy	Nitin Gupta
08-May-24	535	600	Buy	Nitin Gupta
08-May-24	535	600	Buy	Nitin Gupta
15-Apr-24	452	600	Buy	Nitin Gupta
15-Apr-24	452	600	Buy	Nitin Gupta
07-Apr-24	447	600	Buy	Nitin Gupta
07-Apr-24	447	600	Buy	Nitin Gupta
14-Mar-24	435	650	Buy	Nitin Gupta
14-Mar-24	435	650	Buy	Nitin Gupta
09-Feb-24	485	650	Buy	Nitin Gupta
09-Feb-24	485	650	Buy	Nitin Gupta
23-Jan-24	499	675	Buy	Nitin Gupta
23-Jan-24	499	675	Buy	Nitin Gupta
07-Jan-24	565	675	Buy	Nitin Gupta
07-Jan-24	565	675	Buy	Nitin Gupta
31-Dec-23	564	625	Buy	Nitin Gupta
31-Dec-23	564	625	Buy	Nitin Gupta
12-Dec-23	495	625	Buy	Nitin Gupta
12-Dec-23	495	625	Buy	Nitin Gupta
30-Nov-23	506	625	Buy	Nitin Gupta
30-Nov-23	506	625	Buy	Nitin Gupta
24-Nov-23	504	625	Buy	Nitin Gupta
24-Nov-23	504	625	Buy	Nitin Gupta
06-Nov-23	519	625	Buy	Nitin Gupta
06-Nov-23	519	625	Buy	Nitin Gupta
20-Oct-23	510	625	Buy	Nitin Gupta
20-Oct-23	510	625	Buy	Nitin Gupta
03-Oct-23	535	625	Buy	Nitin Gupta
03-Oct-23	535	625	Buy	Nitin Gupta
25-Sep-23	515	625	Buy	Nitin Gupta
25-Sep-23	515	625	Buy	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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