

Estimate change	↔
TP change	↓
Rating change	↔

Bloomberg	HMN IN
Equity Shares (m)	437
M.Cap.(INRb)/(USDb)	294.1 / 3.5
52-Week Range (INR)	860 / 417
1, 6, 12 Rel. Per (%)	-6/17/7
12M Avg Val (INR M)	622

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Sales	38.6	41.7	44.8
Sales Gr. (%)	7.9	7.9	7.6
EBITDA	10.5	11.6	12.7
EBIT Margin (%)	27.2	27.9	28.3
Adj. PAT	9.0	9.9	10.7
Adj. EPS (INR)	20.6	22.7	24.4
EPS Gr. (%)	13.9	10.5	7.6
BV/Sh.(INR)	63.7	72.3	81.1

Ratios

RoE (%)	34.3	33.4	31.9
RoCE (%)	36.9	36.0	33.9
Payout (%)	53.5	55.1	57.3

Valuation

P/E (x)	35.4	32.0	29.8
P/BV (x)	11.4	10.1	9.0
EV/EBITDA (x)	29.3	26.2	23.7
Div. Yield (%)	1.5	1.7	1.9

Shareholding pattern (%)

As On	Sep-24	Jun-24	Sep-23
Promoter	54.8	54.8	54.8
DII	21.5	21.6	25.2
FII	14.4	14.0	11.9
Others	9.3	9.5	8.0

FII Includes depository receipts

CMP: INR670 TP: INR850 (+27%) Buy

Weak volume print; better delivery expected in 2HFY25

- Emami reported 3% YoY sales growth in 2QFY25 (est. 5%). The domestic business grew 2.6% YoY, led by volume growth of 1.7% (est. 3%). This quarter faced headwinds as persistently high food inflation continued to suppress mass consumer spending. Seasonal product pipeline filling was also pushed back to 3Q, which partially impacted 2Q performance.
- Navratna and Dermicool products posted healthy 10% YoY growth. The healthcare segment reported 11% YoY growth, led by new launches and strong traction on the digital platform. Pain management and BoroPlus reported 5%/2% YoY growth. Kesh King and male grooming dipped 9% and 13% YoY, respectively. D2C portfolio declined 9% due to the management change (increased Helios stake to 98.3% from 50.4%).
- The GM trajectory remained healthy, with 60bp YoY expansion to 70.7% (27-quarter high). EBITDA margin expanded by 110bp YoY to 28.1% (in line). Organized channel contributed 26.6% to revenue (+190bp in 1HFY25). The GT segment also improved.
- With seasonal tailwinds to kick in (expect strong performance of winter portfolio) and core drivers to remain intact (expanding distribution, new products, etc.), we expect better revenue delivery in 2HFY25. We model 8%/11% growth in revenue/EBITDA in FY25. **We reiterate our BUY rating on the stock with a TP of INR850 (premised on 35x P/E on Sep'26E EPS).**

Slow revenue growth; margins remain healthy

- Muted sales growth:** Consolidated net sales grew 3% YoY to INR8,906m (est. INR9,089m). Domestic business grew by 2.6% YoY, with volume growth of 1.7% (est. 3%, 8.7% in 1QFY25). Major brands (Navratna/Dermicool), healthcare range and pain management range performed well.
- Margin expansion:** Gross margin expanded by 60bp YoY to 70.7%. (est. 70.3%). Ad spends decreased 6% YoY to INR1,457m, but declined by 150bp YoY as % of sales to 16%. Employee expenses increased by 90bp YoY to 13%. Other expenses remained flat YoY at 14% in 2QFY25. EBITDA margin expanded by 110bp YoY to 28.1% (est. 27.4%).
- Double-digit growth in profitability:** EBITDA grew 7% YoY to INR2,505m (est. INR2,491m). PBT rose 15% YoY to INR2,251m (est. INR2,161m). APAT increased by 19% YoY to INR2,333m (est. INR2,142m). Reported PAT was up 17% YoY at INR2,110m (est. INR1,960m).
- International performance:** International business registered 6% YoY growth in both INR and CC terms, driven by strong performance in the MENA regions. Excluding Bangladesh, international business delivered 12% YoY sales growth.
- In 1HFY25, net sales/EBITDA/APAT increased by 6%/10%/19% YoY. We expect 2HFY25 net sales/EBITDA/APAT to grow by 9%/11%/10% YoY.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Highlights from the management commentary

- The quarter witnessed challenges as sticky high food inflation continued to weigh on mass consumer spending. With a favorable winter forecast, the company expects strong performance from its winter portfolio in 3Q.
- The company remains committed to achieving high single-digit revenue growth and double-digit EBITDA growth in FY25.
- The company did not execute channel filling for Boroplus in 2Q but plans to do so in 3Q, which will also drive the growth.
- The Man Company saw a temporary decline in 2Q due to a transition that is set to complete by mid-Nov'24, with some growth expected in 3Q. The company is optimistic about Helios' growth from 4Q onward.
- The company continued to drive its innovation pipeline forward, launching 11 new products this quarter.

Valuation and view

- We broadly maintain our FY25/FY26 EPS estimates.
- Emami's core categories are niche, and they have been witnessing slow user addition over the last five years. Although it commands a high market share in core categories, the share gain is no longer a catalyst for volume growth.
- The management has initiated several steps (e.g., team additions, new launches, hiring consultants, marketing spending, etc.) over the last three to four years to revive volume growth; the results have started showing in numbers. We expect volume growth acceleration in 2HFY25, driven by urban pickup, seasonal tailwinds, aggressive marketing spends, and new launches.
- Emami is currently trading at 35x and 32x on FY25E and FY26E EPS. **We reiterate our BUY rating** with a TP of INR850, based on 35x Sep'26E EPS.

Consol. Quarterly performance

Y/E MARCH	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	(%)
Domestic volume growth (%)	3.0	2.0	-1.0	6.4	8.7	1.7	6.0	8.0	2.6	6.1	3.0	
Net Sales	8,257	8,649	9,963	8,912	9,061	8,906	10,837	9,812	35,781	38,616	9,089	-2.0%
YoY change (%)	6.8	6.3	1.4	6.6	9.7	3.0	8.8	10.1	5.1	7.9	5.1	
Gross Profit	5,401	6,061	6,851	5,863	6,131	6,296	7,478	6,470	24,176	26,374	6,390	-1.5%
Gross margin (%)	65.4	70.1	68.8	65.8	67.7	70.7	69.0	65.9	67.6	68.3	70.3	
EBITDA	1,900	2,337	3,149	2,110	2,165	2,505	3,428	2,411	9,495	10,508	2,491	0.5%
Margins (%)	23.0	27.0	31.6	23.7	23.9	28.1	31.6	24.6	26.5	27.2	27.4	
YoY change	9.6	19.6	7.0	5.6	13.9	7.2	8.9	14.3	10.1	10.7	6.6	
Depreciation	460	461	458	480	444	447	463	469	1,859	1,823	430	
Interest	21	23	27	29	21	23	25	31	100	100	25	
Other Income	83	111	167	107	105	216	125	108	468	553	125	
PBT	1,502	1,964	2,831	1,708	1,805	2,251	3,065	2,019	8,005	9,139	2,161	4.1%
Tax	129	158	155	225	278	94	245	296	667	914	195	
Rate (%)	8.6	8.1	5.5	13.2	15.4	4.2	8.0	14.7	8.3	10.0	9.0	
Adj. PAT	1,413	1,967	2,828	1,669	1,702	2,333	3,024	1,906	7,876	8,970	2,142	8.9%
YoY change (%)	36.9	12.5	11.0	13.0	20.5	18.6	6.9	14.2	15.7	13.9	8.9	
Reported PAT	1,368	1,800	2,607	1,468	1,506	2,110	2,809	1,706	7,241	8,132	1,960	7.6%
YoY change (%)	88.1	-0.1	11.9	3.6	10.1	17.2	7.8	16.3	15.4	12.3	8.9	

E: MOFSL Estimates

Exhibit 1: Segment wise revenue growth

Category Performance	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Domestic	13	1	1	5	7	4	0	8	10	3
Boroplus	-	17	(3)	(25)	19	(4)	(9)	33	4	2
Pain management	(30)	(13)	(2)	(9)	13	1	3	9	(7)	5
Navratna range	29	(5)	(6)	(3)	(8)	12	7	1	27	10
Male grooming range	32	2	(1)	29	-	(7)	(6)	(2)	(5)	(13)
Kesh King range	20	(10)	(1)	1	2	(5)	(13)	(9)	(15)	(9)
Healthcare range	(25)	(16)	2	(13)	11	4	0	10	11	11
International	45	17	7	19	8	12	8	8	10	6

Source: Company, MOFSL

**Highlights from the management commentary****Performance and outlook**

- The quarter witnessed challenges as sticky high food inflation continued to weigh on mass consumer spending.
- With a favorable winter forecast, the company expects strong performance from its winter portfolio in 3Q.
- The company remains committed to achieving high single-digit revenue growth and double-digit EBITDA growth in FY25.
- Rural markets are performing slightly better than urban. The company expects similar demand trends across urban and rural markets.
- The 3Q relaunch of Fair and Handsome and focused efforts on Kesh King strengthen the company's confidence in achieving healthy growth in 2H.
- Organized channels, like modern trade, e-commerce, and institutional sales, now contribute 26.6% of domestic business, up 190bp in 1H.
- Within e-commerce, quick commerce is the fastest-growing segment.
- The company is traditionally strong in the General Trade (GT) channel and is driving premiumization within this segment by focusing on supermart.
- In international markets, political unrest in key markets, including Bangladesh, created some temporary disruptions.
- The situation in Bangladesh improved in Sep'24 compared to Jul'24, and the company is confident about capturing additional market share in the region.
- Emami is positive about recent product launches and expects them to contribute around 1% to total sales.
- The Man Company saw a temporary decline in 2Q due to a transition that is set to complete by mid-Nov'24, with some growth expected in 3Q. The company is optimistic about Helios' growth from 4Q onward.
- The Man Company, currently contributing INR1.8b, aims to achieve INR3-3.5b over the next 3-4 year, with a focus on cost optimization and brand strengthening investments.
- The effective tax rate stood at 9% in 1H due to MAT credit, with the company anticipating a rate of 9-10% in 2H.

Cost and margins

- Growth in other income was driven by interest earnings from mutual liquid funds.
- The company continues to invest in brand-building efforts. Although brand investment declined in 2Q, it increased by 8% in 1HFY25 and is expected to grow further in 2HFY25.

New launches

- The company continued to drive its innovation pipeline forward, launching 11 new products this quarter.
- In DermiCool range, it introduced DermiCool Sweat Reliever Super Active Talc and Ice Cool Shower Gel, expanding offerings in cooling personal care solutions.
- In Skin and Hair Care, the company has added De-Tan & Deep Cleansing Face Wash, Style Lock Shampoo, Fresh Impact Body Wash, and Odour Control Shower Gel to strengthen presence in face, body, and hair care segments.
- It launched two new Eau de Toilette (EDT) perfumes under the 'HE' brand, enhancing portfolio in the fragrance category.
- Emami expanded offerings on the Zanducare platform with the launch of wellness products like Zandu Daily Health Super Greens, Zandu Dirghayuprash, and Zandu Hair Growth Serum, targeting holistic health and personal care needs.
- Reintroduced BoroPlus Soft light moisturizing cream with refreshed packaging, aiming to strengthen brand appeal and market visibility within the skincare category.

Segmental information

- In healthcare range, double-digit growth was seen in Nityam, Generic range, Vigorex, Zandu Cough Syrup, Zandu Health Juices, and Zandu Honey.
- In BoroPlus range, strong growth was seen in BoroPlus Aloe vera gel and BoroPlus Soaps.
- The company has engaged BCG to develop strategic plans for Kesh King and Boroplus, with work starting in Aug'24; BCG is expected to deliver a strategy within the next 6-8 months.
- Kesh King is positioned as a premium anti-hairfall product, which has been impacted by inflation. While demand for Kesh King shampoo remains strong, the oil segment is facing more challenges.
- The company is confident that hairfall concerns are substantial and growing over the long term and it is considering extensions to the Kesh King oil line.
- The hair care category has seen multiple new start-ups, increasing competition for Kesh King; however, category demand remains robust.
- In 3Q, Boroplus is expected to drive growth, and the contribution of boroplus is higher in rural markets.
- The company did not execute channel filling for Boroplus in 2Q but plans to do so in 3Q, that will also drive the growth.
- Boroplus could achieve high single- to double-digit growth in 2H, contingent on favorable winter conditions.
- The Boroplus range includes antiseptic cream, lotion, aloe vera gel, and soap, with antiseptic cream contributing 75-76% of sales, while the rest of the portfolio contributes 24-25%. Five years ago, the antiseptic cream segment made up 90-92% of sales, highlighting a significant portfolio diversification.
- In healthcare, GT has been a strong performer, driven by a high contribution from GT sales. Online channels have also shown solid growth.
- Several new launches in the male grooming category are anticipated in 4QFY25 and 1HFY26.

Key Exhibits

Exhibit 2: Domestic volumes increased by only 2% YoY in 2QFY25

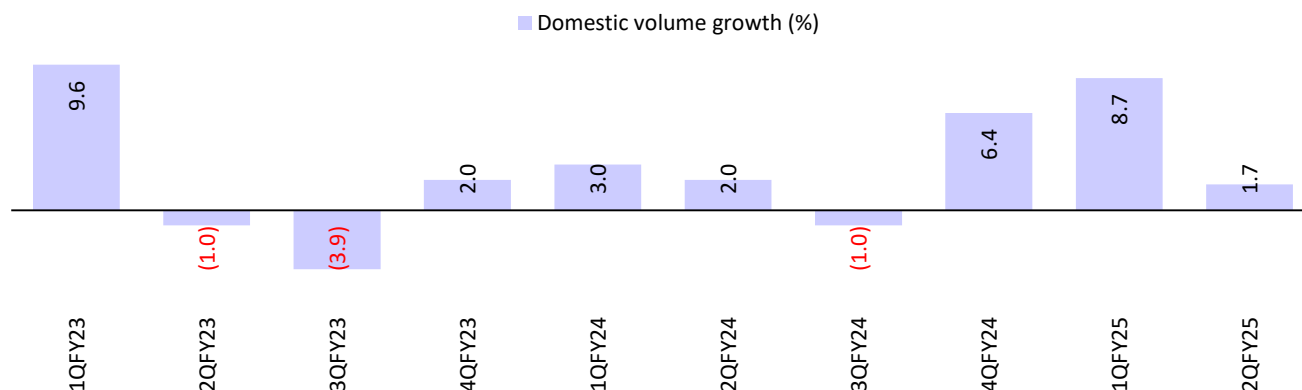


Exhibit 3: Consolidated net sales grew 3% YoY to INR8.9b

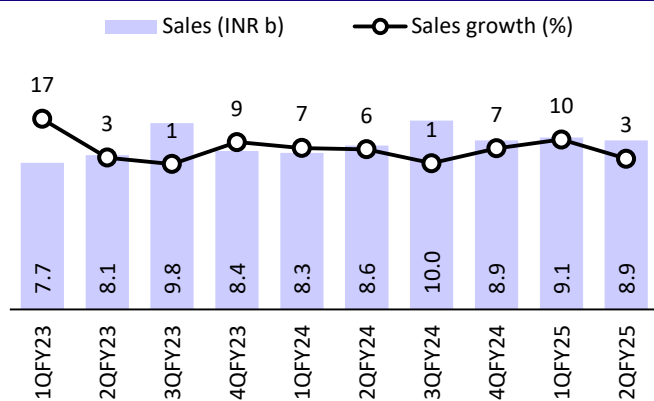


Exhibit 4: Gross margin expanded 60bp YoY to 70.7%

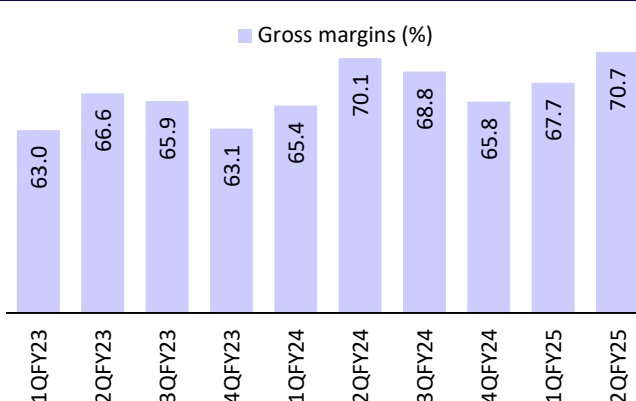


Exhibit 5: EBITDA margin expanded 110bp YoY to 28.1%

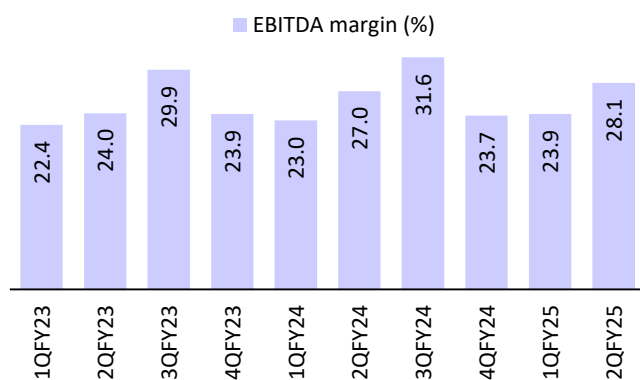
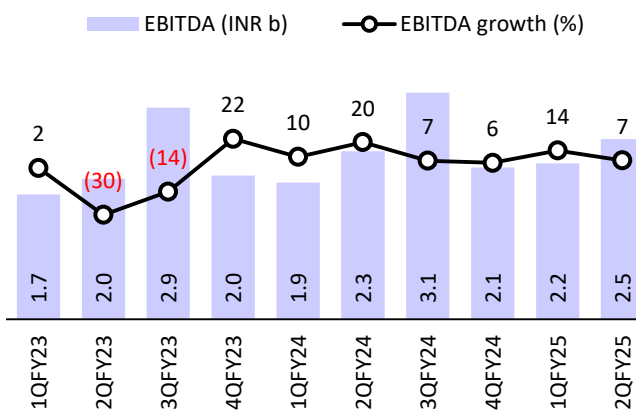


Exhibit 6: EBITDA grew 7% YoY to INR2.5b in 2QFY25



Valuation and view

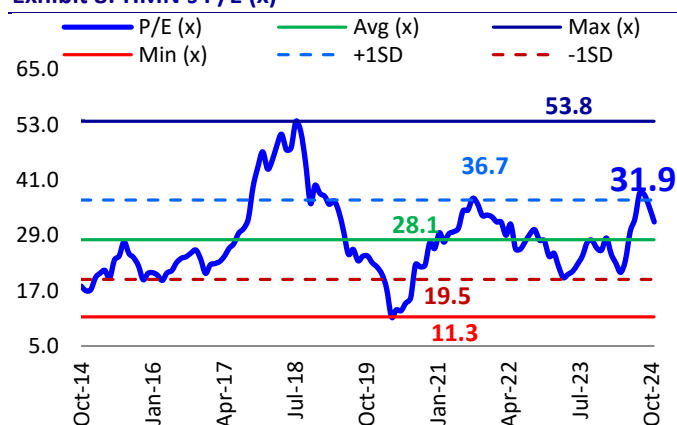
- We broadly maintain our FY25/FY26 EPS estimates.
- Emami's core categories are niche, and they have been witnessing slow user addition over the last five years. Although it commands a high market share in core categories, the share gain is no longer a catalyst for volume growth.
- The management has initiated several steps (e.g., team additions, new launches, hiring consultants, marketing spending, etc.) over the last three to four years to revive volume growth; the results have started showing in numbers. We expect volume growth acceleration in 2HFY25, driven by urban pickup, seasonal tailwinds, aggressive marketing spends, and new launches.
- Emami is currently trading at 35x and 32x on FY25E and FY26E EPS. **We reiterate our BUY rating** with a TP of INR850, based on 35x Sep'26E EPS.

Exhibit 7: There are no material changes to our EPS estimates for FY25 and FY26

(INR m)	New		Old		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Sales	38,616	41,657	38,790	41,847	-0.5	-0.5
EBITDA	10,508	11,617	10,526	11,851	-0.2	-2.0
PAT	8,970	9,910	8,923	10,094	0.5	-1.8

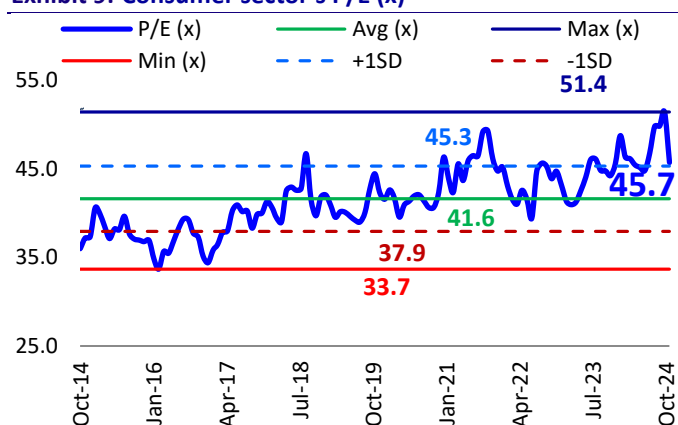
Source: Company, MOFSL

Exhibit 8: HMN's P/E (x)



Source: Company, MOFSL

Exhibit 9: Consumer sector's P/E (x)



Source: Company, MOFSL

Financials and valuations

Income Statement							(INR m)		
Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Net Sales	26,938	26,540	28,805	31,881	34,057	35,781	38,616	41,657	44,842
Change (%)	6.5	-1.5	8.5	10.7	6.8	5.1	7.9	7.9	7.6
COGS	9,230	8,761	9,292	10,739	12,014	11,605	12,241	13,039	13,946
Gross Profit	17,708	17,779	19,513	21,142	22,044	24,176	26,374	28,619	30,896
Gross Margin (%)	65.7	67.0	67.7	66.3	64.7	67.6	68.3	68.7	68.9
EBITDA	7,295	6,896	8,831	9,525	8,627	9,495	10,508	11,617	12,677
Change (%)	1.4	-5.5	28.1	7.9	-9.4	10.1	10.7	10.6	9.1
Margin (%)	27.1	26.0	30.7	29.9	25.3	26.5	27.2	27.9	28.3
Depreciation	3,253	3,363	3,669	3,348	2,473	1,859	1,823	1,762	1,833
Int. and Fin. Charges	214	210	133	51	74	100	100	90	80
Financial Other Income	324	579	703	953	689	468	553	778	865
Profit before Taxes	4,152	3,903	5,731	7,079	6,770	8,005	9,139	10,543	11,629
Change (%)	5.4	-6.0	46.9	23.5	-4.4	18.2	14.2	15.4	10.3
Margin (%)	15.4	14.7	19.9	22.2	19.9	22.4	23.7	25.3	25.9
Tax	1,009	713	1,142	-1,487	421	667	914	1,265	1,628
Tax Rate (%)	24.3	18.3	19.9	-21.0	6.2	8.3	10.0	12.0	14.0
Adjusted PAT	5,002	4,966	6,680	7,338	6,805	7,876	8,970	9,910	10,663
Change (%)	-2.5	-0.7	34.5	9.8	-7.3	15.7	13.9	10.5	7.6
Margin (%)	18.6	18.7	23.2	23.0	20.0	22.0	23.2	23.8	23.8
Non-rec. (Exp)/Income	-1,978	-1,944	-2,133	1,030	-531	-635	-839	-704	-688
Reported PAT	3,023	3,023	4,547	8,368	6,274	7,241	8,132	9,206	9,975

Balance Sheet							(INR m)		
Y/E March	2019	2020	2021	2022	2023	2023	2025E	2026E	2027E
Share Capital	454	453	445	441	441	437	437	437	437
Reserves	20,307	17,784	17,182	20,325	22,587	24,029	27,360	31,109	34,973
Net Worth	20,761	18,238	17,626	20,766	23,028	24,466	27,796	31,546	35,409
Minority Interest	-2	-9	-9	-23	100	111	18	-54	-80
Loans	1,099	2,102	919	2,637	736	657	607	557	507
Deferred Liability	122	35	42	-2,763	-3,502	-4,271	-4,271	-4,271	-4,271
Capital Employed	21,979	20,366	18,578	20,617	20,361	20,964	24,151	27,778	31,566
Goodwill on consolidation	41	0	0	242	682	682	0	0	0
Gross Block	28,779	29,893	29,858	35,759	37,238	38,369	39,674	40,979	42,284
Less: Accum. Depn.	12,019	15,301	18,540	22,561	25,466	27,915	28,460	30,222	32,055
Net Fixed Assets	16,760	14,592	11,318	13,198	11,772	10,455	11,214	10,757	10,229
Capital WIP	363	81	64	31	63	75	0	0	0
Investments	1,870	1,564	2,553	3,027	2,934	4,415	5,915	8,415	10,915
Curr. Assets, L&A	9,151	10,548	11,261	11,240	12,011	12,791	15,151	17,247	19,636
Inventory	2,217	2,446	3,005	3,576	3,280	3,234	3,719	4,012	4,319
Account Receivables	2,164	3,080	2,318	3,209	4,146	4,942	4,595	4,900	5,213
Cash and cash equivalents	2,034	1,191	3,604	1,160	1,848	2,014	3,921	5,084	6,492
Others	2,737	3,831	2,335	3,295	2,738	2,601	2,915	3,251	3,611
Curr. Liab. and Prov.	6,206	6,419	6,618	7,119	7,100	7,454	8,129	8,642	9,215
Account Payables	2,914	3,245	3,507	4,087	4,072	4,546	4,795	5,107	5,463
Other Liabilities	1,940	1,489	1,453	1,316	1,470	1,652	1,769	1,898	2,041
Provisions	1,353	1,686	1,658	1,717	1,558	1,256	1,566	1,636	1,711
Net Current Assets	2,946	4,129	4,643	4,120	4,912	5,336	7,021	8,605	10,421
Application of Funds	21,979	20,366	18,579	20,617	20,362	20,964	24,151	27,778	31,566

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
Basic (INR)									
EPS	11.0	11.0	15.0	16.6	15.4	18.0	20.6	22.7	24.4
Cash EPS	18.2	18.4	23.3	24.2	21.0	22.3	24.7	26.7	28.6
BV/Share	45.7	40.2	39.7	47.1	52.2	56.1	63.7	72.3	81.1
DPS	4.0	8.0	8.0	8.0	8.0	9.5	11.0	12.5	14.0
Payout %	43.6	87.7	53.2	48.1	51.9	52.6	53.5	55.1	57.3
Valuation (x)									
P/E	66.0	66.4	48.4	43.7	47.2	40.3	35.4	32.0	29.8
Cash P/E	40.0	39.6	31.2	30.0	34.6	32.6	29.4	27.2	25.4
EV/Sales	12.1	12.4	11.0	10.0	9.3	8.7	8.0	7.3	6.7
EV/EBITDA	44.9	47.7	36.0	33.5	36.7	32.8	29.3	26.2	23.7
P/BV	15.9	18.1	18.3	15.5	13.9	13.0	11.4	10.1	9.0
Dividend Yield (%)	0.6	1.1	1.1	1.1	1.1	1.3	1.5	1.7	1.9
Return Ratios (%)									
RoE	24.5	25.5	37.3	38.2	31.1	33.2	34.3	33.4	31.9
RoCE	14.5	15.9	24.1	44.0	31.3	36.0	36.9	36.0	33.9
RoIC	16.5	16.4	27.7	52.0	36.2	46.7	54.3	60.7	65.6
Working Capital Ratios									
Debtor (Days)	29	42	29	37	44	50	43.4	42.9	42.4
Asset Turnover (x)	1.2	1.3	1.6	1.5	1.7	1.7	1.6	1.5	1.4
Leverage Ratio									
Debt/Equity (x)	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0

Cash Flow Statement

(INR m)

Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E	2027E
OP/(loss) before Tax	4,034	3,736	5,689	6,880	6,696	7,908	9,139	10,543	11,629
Depreciation	3,253	3,363	3,670	3,348	2,473	1,859	1,823	1,762	1,833
Other non operating income	-297	-442	-500	-1,321	-90	-277	0	0	0
Interest Paid	214	210	133	51	74	100	100	90	80
Direct Taxes Paid	-927	-760	-865	-1,426	-1,170	-1,463	-914	-1,265	-1,628
(Incr)/Decr in WC	-739	-800	1,088	-1,094	-493	-337	-1,052	-2,674	-2,636
CF from Operations	5,537	5,307	9,215	6,439	7,489	7,790	9,096	8,456	9,278
(Incr)/Decr in FA	-1,329	-1,481	-320	-4,802	-301	-288	-1,238	-1,305	-1,305
Free Cash Flow	4,208	3,826	8,895	1,636	7,188	7,502	7,858	7,151	7,973
(Pur)/Sale of Investments	920	-899	-2,268	2,226	-917	-1,896	-308	-308	-286
Others	411	316	2,668	-2,285	494	190	-680	-72	-26
CF from Invest.	2	-2,064	80	-4,861	-725	-1,994	-2,226	-1,685	-1,617
Change in Equity	0	0	0	-2,001	-10	0	0	0	0
(Incr)/Decr in Debt	-2,189	174	139	1,651	-1,901	-133	-50	-50	-50
Dividend Paid	-1,902	-4,191	-3,747	-3,556	-3,529	-3,492	-4,802	-5,456	-6,111
Others	-209	-69	-3,274	-116	-636	-2,005	-112	-102	-92
CF from Fin. Activity	-4,301	-4,087	-6,882	-4,021	-6,076	-5,630	-4,963	-5,608	-6,253
Incr/Decr of Cash	1,239	-843	2,413	-2,444	688	166	1,907	1,162	1,409
Add: Opening Balance	795	2,034	1,191	3,604	1,160	1,848	2,014	3,921	5,084
Closing Balance	2,034	1,191	3,604	1,160	1,848	2,014	3,921	5,084	6,492

E: MOFSL Estimates

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