

3R MATRIX

	+	=	-
Right Sector (RS)			
Right Quality (RQ)			
Right Valuation (RV)			
+ Positive = Neutral - Negative			

What has changed in 3R MATRIX

	Old		New
RS		↓	
RQ		↔	
RV		↔	

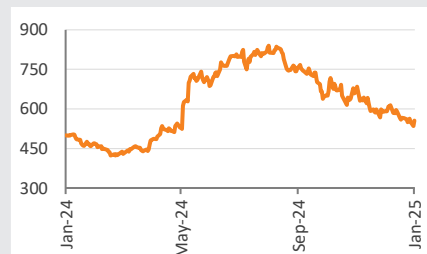
Company details

Market cap:	Rs. 24,237 cr
52-week high/low:	Rs. 859 / 418
NSE volume: (No of shares)	6.4 lakh
BSE code:	531162
NSE code:	EMAMILTD
Free float: (No of shares)	19.7 cr

Shareholding (%)

Promoters	54.8
FII	14.6
DII	21.7
Others	8.9

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-5.9	-14.9	-30.5	11.1
Relative to Sensex	-2.4	-9.8	-23.8	5.6

Source: Mirae Asset Sharekhan Research, Bloomberg

Emami Ltd

Good Q3 in tough times

Consumer Goods	Sharekhan code: EMAMILTD		
Reco/View: Buy	↔	CMP: Rs. 555	Price Target: Rs. 670
↑ Upgrade	↔ Maintain	↓ Downgrade	

Summary

- Emami's Q3FY25 performance was better compared to peers with a 6% y-o-y domestic volume growth. Revenue and adjusted PAT grew by 5% y-o-y each. Consolidated OPM at 32.3%, came in higher than expectation of 31.6%.
- Management expects double-digit growth momentum in BoroPlus and Healthcare range to continue in Q4. Kesh King would see new strategies being announced in 1-2 quarters.
- Rebranding of Fair & Handsome (as Smart & Handsome), recovery in Kesh King and improved international performance will support growth in the coming years.
- Stock trades at 28x/25x/22x its FY25E/26E/27E EPS, respectively, which is a discount to its five-year average multiple. We maintain a Buy with a revised PT of Rs. 670.

Emami's Q3FY25 numbers were soft but performance was relatively better compared to peers, as the company posted mid-single digit volume growth and OPM beat expectations. Consolidated revenue grew by 5.3% y-o-y to Rs. 1,050 crore, with core domestic business growing by 9% (6% volume growth). Healthcare range and BoroPlus range delivered 13% and 20% y-o-y growth despite the challenges posed by delayed and mild winters, while both Navratna and the Pain Management portfolio posted 3% y-o-y growth. International business reported 3% y-o-y decline (2% decline on CC terms). Gross margin rose by 153 bps y-o-y to 70.3% y-o-y aided by softening of raw material prices, while OPM improved by 67 bps y-o-y to 32.3% (higher than our and average street expectation of 31.6%). Operating profit and adjusted PAT grew by 7.6% and 4.9% y-o-y to Rs. 339 crore and Rs. 296 crore, respectively. In 9MFY25, revenue grew by 5.9% y-o-y (domestic volume growth at 5%), OPM rose by 82 bps y-o-y to 28.3% and adjusted PAT grew by 10.6% y-o-y to Rs. 703 crore. The board has declared second interim dividend of Rs. 4 per share for FY25.

Key positives

- Domestic volume growth (core business) at 6%, is better compared to peers.
- BoroPlus and Healthcare range posted 20% and 13% y-o-y growth, respectively.

Key negatives

- Kesh King range reported 10% y-o-y decline.
- Strategic subsidiaries (The Man Company and Brillare) registered 13% y-o-y decline.

Management Commentary

- The BoroPlus range posted strong growth despite delayed winter, driven by growth in antiseptic cream led by advertising, focused approach in key states and changes in trade scheme approach in FY25. Management expects momentum to continue in Q4 (expects to deliver double-digit growth).
- Strong growth in healthcare range was led by ~90% growth in Zandu care. Management expects momentum to continue in Q4 (expects double-digit growth).
- Management indicated that the company is working towards improving the Kesh King brand and is likely to come out with some new strategy in 1-2 quarters.
- The Man Company is witnessing m-o-m improvement in performance, management expects significant turnaround from Q4.
- In the male grooming portfolio, Smart & Handsome was rolled out and marketing has also started from mid-January. Emami plans to come out with entire male grooming range in next 3-4 months.
- Gross margin rose, led by price hikes (1.5-2.5% price increases taken in large packs), lower input prices (largely packaging material) and cost reduction initiatives.

Revision in earnings estimates – We have reduced our earnings estimates for FY25 to factor in slightly lower revenue growth in Q3 than earlier expected and higher interest cost and for FY26 and FY27 as we expect demand recovery will be gradual.

Our Call

View – Retain Buy with a revised PT of Rs. 670: Emami's Q3 performance was better compared to peers with mid-single digit volume growth in the domestic business. The company has a strong brand portfolio and its sustained focus on product launches, distribution expansion, scale-up of emerging channels, strong pipeline of D2C brands, growth in international business, and better penetration will help improve growth prospects in the medium term. OPM would continue to improve in the coming years. The stock trades at 28x/25x/22x its FY25E/FY26E/FY27E EPS, respectively, which is a discount to its 5-year average multiple. We maintain our Buy rating on the stock with a revised price target (PT) of Rs. 670 (rolling over to FY27 estimates).

Key Risks

Emami's product portfolio is seasonal. Hence, any weather vagaries or supply disruption due to frequent lockdowns would affect performance in the near to medium term.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenues	3,406	3,578	3,785	4,115	4,580
OPM (%)	25.3	26.5	27.4	27.6	27.9
Adjusted PAT	747	799	869	958	1,083
% YoY growth	-0.8	6.4	10.2	10.0	12.8
Adjusted EPS (Rs.)	16.9	18.3	19.9	22.0	24.8
P/E (x)	32.8	30.3	27.9	25.3	22.4
P/B (x)	10.6	9.9	8.6	7.5	6.5
EV/EBITDA (x)	27.9	24.9	22.4	20.1	17.6
RoNW (%)	34.5	33.8	33.7	32.1	31.4
RoCE (%)	34.9	36.3	36.6	34.9	34.1

Source: Company; Mirae Asset Sharekhan estimates

Key highlights of the quarter

- ♦ Rising food inflation and liquidity constraints in retail and wholesale trade channels hit urban demand, while favorable monsoon conditions and a robust harvest supported rural demand. The delayed onset of winter impacted seasonal categories in Q3.
- ♦ BoroPlus range reported 20% y-o-y growth in Q3 led by BoroPlus Antiseptic Cream and Lotions. Recent relaunch, BoroPlus Soft is performing well.
- ♦ Healthcare range posted 13% y-o-y growth in Q3 driven by Zanducare, Zandu Ayurvedic Cough Syrup, Zandu Health Juices and Immunity range.
- ♦ Navratna & Dermicool range delivered 3% y-o-y growth led by strong marketing support for cool oil and talc.
- ♦ Emami rebranded of Fair and Handsome to Smart and Handsome, marking a significant evolution in the brand's identity. The refreshed positioning reflects a broader focus on male grooming, offering effective solutions for face, body, and hair care. With the endorsement of Kartik Aaryan as the brand ambassador and exciting new product launches on the horizon, the company is confident that Smart and Handsome will further cement its leadership in the evolving male grooming market.
- ♦ The launch of Mentho Plus Balm Total in the southern region in December 2024 has expanded Emami's offerings in the pain management segment.
- ♦ Strategic subsidiaries (The Man Company and Brillare) registered 13% y-o-y decline in Q3, with the Man Co's performance impacted by higher discounts. Brillare witnessed strong growth in Hair care driven by in Hair Oils and Professional Shampoo, followed by Body Care.
- ♦ Organised channels (Modern Trade, e-Commerce, and Institutional Sales) grew by 13% y-o-y, with contribution to domestic business rising by 160 bps y-o-y to 28.6%.
- ♦ International business reported a 3% y-o-y decline (2% decline on CC terms).

Results (Consolidated)

Particulars	Rs cr				
	Q3FY25	Q3FY24	Y-o-Y (%)	Q2FY25	Q-o-Q (%)
Net revenue	1,049.5	996.3	5.3	890.6	17.8
Raw materials	311.8	311.2	0.2	261.0	19.5
Employee costs	112.5	102.1	10.2	112.9	-0.4
Ad promotions	175.7	165.7	6.0	145.7	20.6
Other expenses	110.8	102.4	8.2	120.5	-8.1
Total expenditure	710.8	681.5	4.3	640.1	11.0
Operating profit	338.7	314.9	7.6	250.5	35.2
Other income	14.9	16.7	-10.7	21.6	-30.8
Finance costs	2.2	2.7	-19.9	2.3	-6.9
Depreciation	22.3	22.4	-0.3	21.4	4.5
Profit before tax	329.1	306.5	7.4	248.4	32.5
Tax	28.4	23.0	23.2	15.7	80.3
Adjusted PAT	300.8	283.5	6.1	232.6	29.3
Minority interest	-4.5	-1.0	-	-4.6	-
Adjusted PAT after MI	296.3	282.4	4.9	228.0	29.9
Extra-ordinary items	17.3	21.8	-20.6	17.3	-0.1
Reported PAT	279.0	260.7	7.0	210.7	32.4
Adjusted EPS (Rs.)	6.9	6.5	6.1	5.3	29.3
			bps		bps
GPM (%)	70.3	68.8	153	70.7	-40
OPM (%)	32.3	31.6	67	28.1	415
NPM (%)	31.4	30.8	60	27.9	348
Tax rate (%)	8.6	7.5	110	6.3	228

Source: Company; Mirae Asset Sharekhan Research

Category/Brand-wise performance y-o-y basis

Key brands/category	Q3FY25 (% growth)	9MFY25 (% growth)
Healthcare range	13	12
Pain Management range	3	1
Navratna & Dermicool range	3	18
Kesh King range	-10	-12
Boroplus range	20	13
Male Grooming range	-4	-7
Strategic subsidiaries	-13	

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Volume growth recovery to be gradual

Demand environment continued to be muted in Q3 with rural growth outpacing urban growth for another quarter. Monsoon season was above normal and well spread out, which will help agri production to be better in the current year. This will not only boost rural consumption but will also help agri inflation to stabilise in the near term. Revenue growth in the near term would be driven by mix of volume and price-led growth as most companies have taken price increases to mitigate the impact of higher input costs. Global uncertainties will lead to volatility in raw material prices and currency movement. This will put pressure on the margins of the consumer goods companies in the quarters ahead. We expect operating profit growth to be lower as compared to revenue growth in the near term. On the other hand, an increase in commodity prices will reduce the competition intensity from small/regional players in the quarters ahead.

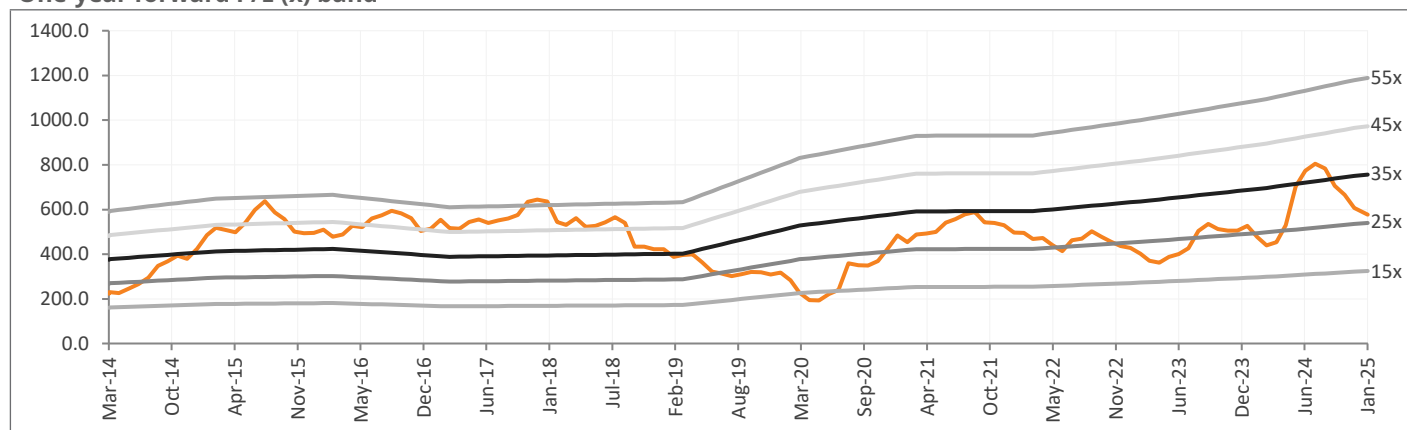
■ Company Outlook – Eyeing a better FY2025

Emami's Q3FY25 numbers were soft but performance was relatively better compared to peers, as the company posted mid-single digit volume growth and OPM beat expectations. Strong growth in new businesses and recovery in the performances of key categories would help the domestic business to deliver mid-single digit volume growth in FY25. OPM will rise y-o-y in FY2025, driven by expansion in gross margins due to the softening of input prices, price hikes and cost reduction initiatives. With strategies in place, we expect revenue and PAT to report a 9% and 11% CAGR, respectively, over FY2024-FY2027E.

■ Valuation – Maintain Buy with a revised PT of Rs. 670

Emami's Q3 performance was better compared to peers with mid-single digit volume growth in the domestic business. The company has a strong brand portfolio and its sustained focus on product launches, distribution expansion, scale-up of emerging channels, strong pipeline of D2C brands, growth in international business, and better penetration will help improve growth prospects in the medium term. OPM would continue to improve in the coming years. The stock trades at 28x/25x/22x its FY25E/FY26E/FY27E EPS, respectively, which is a discount to its 5-year average multiple. We maintain our Buy rating on the stock with a revised price target (PT) of Rs. 670 (rolling over to FY27 estimates).

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE(%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Dabur	51.3	47.9	39.4	39.1	36.8	30.8	21.5	21.6	24.1
Marico	57.1	52.9	44.4	42.2	38.8	32.9	41.4	42.4	46.4
Emami	30.3	27.9	25.3	24.9	22.4	20.1	36.3	36.6	34.9

Source: Company; Mirae Asset Sharekhan Research

About company

Emami is one of the leading FMCG companies that manufacture and market personal care and healthcare products. With over 550 diverse products, the company's portfolio includes brands such as Navratna, Boroplus, Fair & Handsome, Zandu Balm, Mentho Plus, and Kesh King. With the acquisition of Kesh King in 2015, the company has forayed into the ayurvedic hair and scalp care segment. Following the acquisition of Creme 21, a German brand with strong roots and brand recall in 2019, Emami went on to acquire Dermicool, one of the leading prickly heat and cool talc brands in India in 2022. Emami has a wide distribution reach in over 4.9 million retail outlets through over 4,000 distributors. The company has a strong international presence in over 70 countries, including SAARC, MENAP, SEA, Africa, Eastern Europe, and CIS countries.

Investment theme

Emami has a strong brand portfolio, largely catering to low-penetrated categories in the domestic market. However, most of these are prone to seasonal vagaries, affecting growth in the domestic business. The company has taken various initiatives for key categories to improve its growth prospects. The company has appointed a separate sales head, international business head, and healthcare segment head recently, which gives us an indication that management is now getting its focus back on improving the growth prospects of its consumer business. The company's revenue and PAT are expected to report a 9% and 11% CAGR, respectively, over FY2024-FY2027E, driven by its focus on product launches, distribution expansion, scale-up of the emerging channels, a strong pipeline of D2C brands, growth in the international business, and improved penetration.

Key Risks

- ♦ A slowdown in domestic consumption demand (especially in the rural market) would result in muted numbers for Emami in the near to medium term.
- ♦ Emami's product portfolio is prone to seasonal vagaries and, hence, remains a key risk to the category's performance.

Additional Data

Key management personnel

R. S. Goenka	Chairman
Harsha Vardhan Agarwal	Managing Director
N. H. Bhansali	CEO-Finance, Strategy & Business Development and CFO
Sandeep Kumar Sultania	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	DSP Investment Managers Pvt Ltd	3.55
2	Kotak Mahindra AMC Ltd.	3.34
3	HDFC Asset Management Co. Ltd.	3.14
4	Fundrock Management Co. SA	2.76
5	AVEES Trading and Finance	2.13
6	Nippon Life India Asset Management Ltd.	2.11
7	Franklin Resources Inc.	1.86
8	Vanguard Group Inc.	1.84
9	SBI Funds Management Ltd.	1.72
10	UTI Asset Management Co. Ltd.	1.20

Source: Bloomberg

Mirae Asset Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. CIN: - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-6115000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th Floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022- 41523200/022-69920600.