

Emami

Sunny days ahead

Emami 4QFY24 print was ahead of estimates on the back of a superior product mix and distribution expansion initiatives. The extended winter drove sales of Boro Plus (up 33% YoY) and pain management (9% YoY); whereas the summer range was partially impacted (up 1% YoY). We upgrade Emami to ADD from REDUCE with a TP of INR 600 (27x FY26 EPS, 10% premium to its five-year average PE) as visibility relating to delivering double-digit growth in FY25 has improved significantly on the back of (a) prospects of the strong summer season and a favourable base for the winter season; (b) rural recovery (45-50% of sales) aided via normal monsoon; and (c) distribution expansion initiatives. Reasonable valuations (23x FY26 EPS) provide a significant margin of safety, even if the season will turn out to be sub-par.

- 4QFY24 results summary:** Emami 4QFY24 prints were ahead of estimates on the back of a superior product mix and distribution expansion initiatives. Extended winter drove sales of Boro Plus (up 33% YoY) and pain management (9% YoY); whereas the summer range was partially impacted (up 1% YoY). Male grooming (down 2% YoY) and Kesh King (down 9%) portfolios disappointed for the third consecutive quarter. Gross margin expanded c265bps YoY to 65.8% owing to a better product mix (higher salience of Boro Plus and healthcare range). Management expects gross margin to see marginal expansion even in FY25 courtesy benign input costs and low single-digit price hikes (2-2.5%). EBITDA margin remained flat YoY despite solid gross margin improvement due to higher A&P spending (up 40% YoY). Management has guided for double-digit revenue growth along with moderate margin expansion in FY25.
- Con call takeaways:** 1) Intends to take only 2% price hikes in FY25, as RM index remains benign; 2) Tax rate expected to remain @ 10% for next two years; 3) International business expected to see double-digit revenue growth even in FY25 courtesy the local manufacturing and manufacturing initiatives; 4) Launched 3 Exclusive Brand Outlets for marketing range in NCR region to further strengthen brand equity; 5) MT / E-commerce contributed 10 /12 % of sales respectively in 4QFY24; 6) New product launches programme to be expedited in 2HFY25 given conducive business environment; 7) Kesh King – Management stated that increased competition from D2C brands has weighed on its performance; Emami intends to revive its performance via improving salience of shampoos; 8) Male grooming range has been a pain point over the past few years and it is planning some innovative product launch in 2QFY25 to revive its performance.

Quarterly/annual financial summary

(INR mn)	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY22	FY23	FY24	FY25E	FY26E
Net Sales	8,912	8,360	6.6	9,963	(10.5)	31,872	34,057	35,781	38,647	42,008
EBITDA	2,110	1,998	5.6	3,149	(33.0)	9,524	8,628	9,495	10,463	11,635
APAT	1,483	1,420	4.5	2,676	(44.6)	11,301	7,801	8,089	8,866	9,869
EPS (INR)	3.4	3	4.5	6	(44.6)	25.6	17.7	18.5	20.3	22.6
P/E (x)						20.1	29.2	27.8	25.4	22.8
EV / EBITDA (x)						24.0	26.2	23.2	20.6	18.2
RoCE (%)						37.9	25.7	31.6	35.0	39.3

Source: Company, HSIE Research

ADD

CMP (as on 29 May 2024)	INR 524
Target Price	INR 600
NIFTY	22,705

KEY CHANGES	OLD	NEW
Rating	REDUCE	ADD
Price Target	INR 500	INR 600
	FY25E	FY26E
EPS %	n.a.	n.a.

KEY STOCK DATA

Bloomberg code	HMN IN
No. of Shares (mn)	439
MCap (INR bn) / (\$ mn)	230/2,759
6m avg traded value (INR mn)	418
52 Week high / low	INR 589/371

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.4	4.6	31.4
Relative (%)	9.7	(6.7)	12.8

SHAREHOLDING PATTERN (%)

	Dec-23	Mar-24
Promoters	54.84	54.84
FIs & Local MFs	23.95	22.07
FPIs	12.86	13.46
Public & Others	8.35	9.63
Pledged Shares	13.33	7.18

Source : BSE

Pledged shares as % of total shares

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PE trading at 27x 1 year forward



Consolidated Profit & Loss (INR mn)

Year End	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	31,872	34,057	35,781	38,647	42,008	45,750
Growth (%)	10.6	6.9	5.1	8.0	8.7	8.9
Material Expenses	10,731	12,014	11,605	12,360	13,349	14,416
Employee Expense	3,178	3,678	3,956	4,273	4,615	4,984
ASP Expense	5,229	5,607	6,522	7,011	7,572	8,178
Other expenses	3,211	4,132	4,202	4,540	4,838	5,148
EBITDA	9,524	8,628	9,495	10,463	11,635	13,024
EBITDA Growth (%)	7.9	(9.4)	10.1	10.2	11.2	11.9
EBITDA Margin (%)	29.9	25.3	26.5	27.1	27.7	28.5
Depreciation	3,348	2,472	1,859	1,937	2,133	2,212
EBIT	6,176	6,155	7,636	8,526	9,502	10,812
Other Income (Including EO Items)	953	689	468	554	693	866
Interest	51	74	100	100	100	100
PBT	7,078	6,770	8,004	8,981	10,095	11,579
Tax	(1,487)	421	667	898	1,010	1,158
RPAT	8,390	6,396	7,235	8,083	9,086	10,421
Adjustment	(52)	-	(59)	-	-	-
Adjusted PAT	11,301	7,801	8,089	8,866	9,869	11,204
APAT Growth (%)	68.9	(31.0)	3.7	9.6	11.3	13.5
Adjusted EPS (Rs)	25.6	17.7	18.5	20.3	22.6	25.7
EPS Growth (%)	70.2	(31.0)	4.8	9.6	11.3	13.5

Source: Company, HSIE Research

Consolidated Balance Sheet (INR mn)

Year End	FY22	FY23	FY24	FY25E	FY26E	FY27E
SOURCES OF FUNDS						
Share Capital – Equity	441	441	441	441	441	441
Reserves	20,325	22,587	26,330	30,048	33,895	39,078
Total Shareholders' Funds	20,766	23,028	26,771	30,489	34,336	39,519
Minority Interest	(23)	100	100	100	100	100
Long Term Debt	-	-	-	-	-	-
Short Term Debt	2,637	736	736	736	736	736
Total Debt	2,637	736	736	736	736	736
Net Deferred Taxes	(2,763)	(3,502)	(3,502)	(3,502)	(3,502)	(3,502)
Long Term Provisions & Others	599	598	598	598	598	598
TOTAL SOURCES OF FUNDS	21,217	20,959	24,702	28,420	32,267	37,450
APPLICATION OF FUNDS						
Net Block	13,452	12,459	12,600	12,163	11,531	10,819
CWIP	17	58	58	58	58	58
Other Non-current Assets	3,412	1,949	1,949	1,949	1,949	1,949
Total Non-current Assets	16,881	14,466	14,607	14,170	13,537	12,825
Inventories	3,576	3,280	3,446	3,722	4,046	4,407
Debtors	3,209	4,146	3,921	4,447	5,064	5,766
Other Current Assets	2,705	3,516	3,414	3,414	3,414	3,414
Cash & Equivalents	1,366	2,053	6,125	9,942	14,026	19,472
Total Current Assets	10,856	12,996	16,907	21,525	26,550	33,058
Creditors	4,087	4,163	4,472	4,936	5,480	6,094
Other Current Liabilities & Provns	2,433	2,340	2,340	2,340	2,340	2,340
Total Current Liabilities	6,520	6,503	6,811	7,276	7,820	8,433
Net Current Assets	4,336	6,493	10,095	14,250	18,730	24,625
TOTAL APPLICATION OF FUNDS	21,217	20,959	24,702	28,420	32,267	37,450

Source: Company, HSIE Research

Consolidated Cash Flow (INR mn)

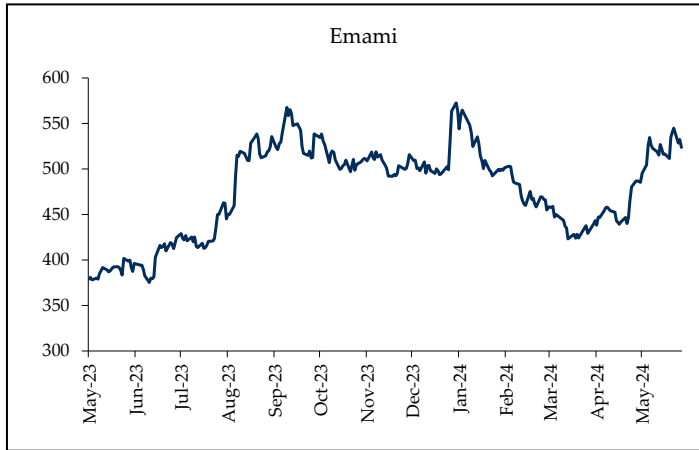
Year End	FY22	FY23	FY24	FY25E	FY26E	FY27E
Reported PBT	6,880	6,695	8,004	8,981	10,095	11,579
Non-operating & EO Items	(723)	(470)	-	-	-	-
Interest Expenses	51	74	-	-	-	-
Depreciation	3,348	2,472	1,859	1,937	2,133	2,212
Working Capital Change	(1,691)	(112)	368	(338)	(396)	(449)
Tax Paid	(1,426)	(1,170)	(667)	(898)	(1,010)	(1,158)
OPERATING CASH FLOW (a)	6,439	7,489	9,564	9,682	10,822	12,184
Capex	(4,836)	(405)	(2,000)	(1,500)	(1,500)	(1,500)
Free Cash Flow (FCF)	1,603	7,084	7,564	8,182	9,322	10,684
Investments & Acquisition	-	-	-	-	-	-
Non-operating Income	-	-	-	-	-	-
INVESTING CASH FLOW (b)	(4,836)	(405)	(2,000)	(1,500)	(1,500)	(1,500)
Debt Issuance/(Repaid)	(2,300)	79	-	-	-	-
Interest Expenses	(45)	(60)	-	-	-	-
FCFE	3,948	7,065	7,564	8,182	9,322	10,684
Share Capital Issuance	-	-	-	-	-	-
Dividend	(3,556)	(3,529)	(3,492)	(4,365)	(5,238)	(5,238)
Others	1,880	(2,566)	-	-	-	-
FINANCING CASH FLOW (c)	(4,021)	(6,076)	(3,492)	(4,365)	(5,238)	(5,238)
NET CASH FLOW (a+b+c)	(2,418)	1,008	4,072	3,817	4,084	5,446
EO Items, Others	199	307	468	4,540	8,356	12,440
Closing Cash & Equivalents	(2,220)	1,315	4,540	8,356	12,440	17,886

Ratios

Year End	FY22	FY23	FY24	FY25E	FY26E	FY27E
PROFITABILITY (%)						
GPM	66.3	64.7	67.6	68.0	68.2	68.5
EBITDA Margin	29.9	25.3	26.5	27.1	27.7	28.5
EBIT Margin	19.4	18.1	21.3	22.1	22.6	23.6
APAT Margin	35.5	22.9	22.6	22.9	23.5	24.5
RoE	58.9	35.6	32.5	31.0	30.4	30.3
RoIC (or Core RoCE)	37.9	25.7	31.6	35.0	39.3	45.2
RoCE	52.7	32.5	31.2	29.9	29.5	29.5
EFFICIENCY						
Tax Rate (%)	(21.0)	6.2	8.3	10.0	10.0	10.0
Fixed Asset Turnover (x)	0.9	0.9	0.9	1.0	1.0	1.1
Inventory (days)	41.0	35.2	35.2	35.2	35.2	35.2
Debtors (days)	36.8	44.4	40.0	42.0	44.0	46.0
Other Current Assets (days)	31.0	37.7	35.9	33.2	30.5	28.0
Payables (days)	46.8	44.6	45.6	46.6	47.6	48.6
Other Current Liab & Provsns (days)	27.9	25.1	23.9	22.1	20.3	18.7
Cash Conversion Cycle (days)	34.0	47.6	41.5	41.6	41.8	41.9
Net D/E (x)	0.1	(0.1)	(0.2)	(0.3)	(0.4)	(0.5)
PER SHARE DATA (Rs)						
EPS	25.6	17.7	18.5	20.3	22.6	25.7
CEPS	33.2	23.3	22.8	24.7	27.5	30.7
Dividend	8.0	8.0	8.0	10.0	12.0	12.0
Book Value	47.1	52.2	61.3	69.8	78.7	90.5
VALUATION						
P/E (x)	20	29	28	25	23	20
P/BV (x)	11.0	9.9	8.4	7.4	6.6	5.7
EV/EBITDA (x)	24.0	26.2	23.2	20.6	18.2	15.9
EV/Revenues (x)	7.2	6.6	6.1	5.6	5.0	4.5
OCF/EV (%)	2.8	3.3	4.4	4.5	5.1	5.9
FCF/EV (%)	0.7	3.1	3.4	3.8	4.4	5.2
FCFE/Mkt Cap (%)	1.7	3.1	3.4	3.8	4.4	5.2
Dividend Yield (%)	1.6	1.6	1.6	1.9	2.3	2.3

Source: Company, HSIE Research

1 Yr Price Movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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