

India

ADD (no change)

Consensus ratings*: Buy 22 Hold 5 Sell 1	
Current price:	Rs636
Target price: ▲	Rs710
Previous target:	Rs660
Up/downside:	11.6%
InCred Research / Consensus:	1.6%
Reuters:	EMAM.NS
Bloomberg:	HMN IN
Market cap:	US\$3,267m
	Rs279,387m
Average daily turnover:	US\$4.2m
	Rs357.0m
Current shares o/s:	444.5m
Free float:	45.2%
*Source: Bloomberg	

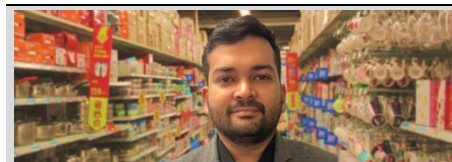
Key changes in this note

- Raise the target price to Rs710 from Rs660.
- Introduce FY28F estimates.



Price performance	1M	3M	12M
Absolute (%)	1.5	21.3	21.8
Relative (%)	(3.1)	11.9	9.5

Major shareholders	% held
Promoter	54.8
DSP Investment Managers	3.8
Kotak AMC	3.4

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Emami Ltd**Emerges stronger with a refreshed portfolio**

- Standalone sales grew by 10% yoy led by 7% volume growth, driven by 11% growth in the core portfolio. Initiatives to revive laggards supported growth.
- Rural markets continue to drive growth, while urban markets remain weak. Management targets stronger momentum in FY26F, with healthy margins.
- Revival of portfolio laggards in urban markets and favourable monsoon outlook should support rural demand in FY26F. Retain ADD with a higher TP of Rs710.

Strong delivery on volume; rural markets continue outperformance

Domestic sales/volume of Emami grew by 10%/7% yoy while international business declined by 6%/5% in INR/constant currency terms, respectively, in 4QFY25. Consolidated sales grew by 8.1% yoy. Growth was driven by the healthcare range, which grew by 13% led by Zanducare (own platform), cough syrups, health juices & the immunity range. The Boroplus range grew by 27%, led by strong growth in antiseptic creams and lotions. The Navratna and Dermicool range clocked 16% yoy growth on a low base. The Dermicool brand has been extended into soaps and shower gels so far during the year. The pain management segment grew by 1%. The male grooming range posted 7% growth, after seven successive quarters of declines, led by the relaunch of 'Fair & Handsome' brand. Rural markets continued to outpace demand from urban markets, which remained subdued over the last few quarters. Organized trade channels (28.5% of sales) posted 10% growth and continue to outpace the other channels. Efforts are underway to revive growth in general trade (GT) with the addition of 1,800 GT Marts (total count at 5.6k stores), which grew 45%, outpacing other GT stores. Project EOFS was launched to drive merchandising visibility in top GT retail stores, with 390+ EOFS merchandisers onboarded in FY25. We expect margins to remain range-bound in the medium term.

Revival of portfolio laggards is expected to support growth in FY26F

Emami rebranded its skincare brand 'Fair & Handsome' (c.10% of domestic sales) to 'Smart & Handsome' in Jan 2025, as it shifts focus from only skincare to a broader market within the mass male grooming category, where it targets Rs10bn in revenue (market size of Rs180bn) over the next three-to-four years. Kesh King has been reeling with declining sales due to subdued demand for the value-added hair oils category and a new go-to-market or GTM strategy is expected to be finalized and executed by 1HFY26F.

Retain ADD rating with a higher target price of Rs730

Emami's ability to drive healthy growth in the core business, leadership changes for its D2C subsidiaries and corrective steps underway for portfolio laggards should aid continued growth in the medium term. Favourable outlook on monsoons this year should support continued rural market growth. We maintain ADD rating on Emami with a higher target price of Rs710 (34x FY27F EPS) from Rs660 earlier, as we roll forward. Downside risk: Slowdown in rural demand or lower-than-expected EBITDA margin.

Financial Summary

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	35,781	38,092	41,391	45,239	49,664
Operating EBITDA (Rsm)	9,495	10,251	11,119	12,243	13,490
Net Profit (Rsm)	7,235	8,065	8,733	9,697	10,771
Core EPS (Rs)	16.7	18.5	20.0	22.2	24.7
Core EPS Growth	14.0%	10.6%	8.3%	11.0%	11.1%
FD Core P/E (x)	38.39	34.44	31.81	28.64	25.79
DPS (Rs)	0.0	0.0	0.0	0.0	0.0
Dividend Yield	1.26%	1.98%	2.28%	2.28%	2.28%
EV/EBITDA (x)	28.98	26.50	24.31	21.89	19.66
P/FCFE (x)	40.71	37.59	35.46	32.07	29.84
Net Gearing	(10.9%)	(22.5%)	(25.7%)	(30.1%)	(34.4%)
P/BV (x)	11.35	10.31	9.47	8.49	7.48
ROE	30.7%	31.4%	31.0%	31.3%	30.8%
% Change In Core EPS Estimates			(4.21%)	(4.94%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Emerges stronger with a refreshed portfolio

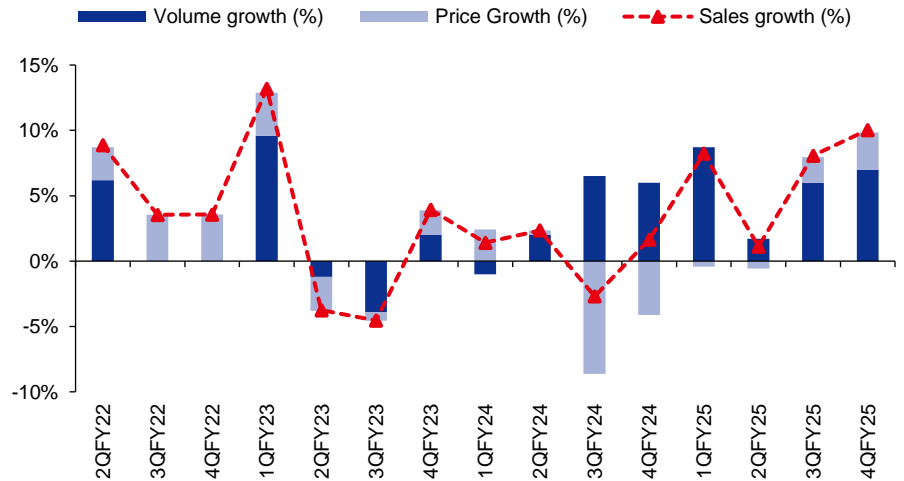
Figure 1: Quarterly results summary

Y/E Mar (Rs. m)	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Revenue	8,912	10,495	9,631	8.1	-8.2	35,781	38,092	6.5
Expenditure	6,803	7,108	7,436	9.3	4.6	26,286	27,841	5.9
Consumption of RM	3,050	3,118	3,284	7.7	5.3	11,605	11,942	2.9
as % of sales	34.2	29.7	34.1			32.4	31.4	
Employee Costs	905	1,125	1,106	22.3	-1.6	3,956	4,470	13.0
as % of sales	10.2	10.7	11.5			11.1	11.7	
Selling & Administrative Expenses	1,802	1,757	1,889	4.8	7.5	6,522	6,940	6.4
as % of sales	20.2	16.7	19.6			18.2	18.2	
Other Expenditure	1,046	1,108	1,157	10.6	4.4	4,202	4,488	6.8
as % of sales	11.7	10.6	12.0			11.7	11.8	
EBITDA	2,110	3,387	2,194	4.0	-35.2	9,495	10,251	8.0
Depreciation	480	456	435	-9.3	-4.6	1,859	1,782	-4.1
EBIT	1,630	2,931	1,759	7.9	-40.0	7,636	8,469	10.9
Other Income	107	149	212	97.8	41.7	468	681	45.5
Interest	29	22	28	-3.5	28.1	100	93	-6.4
PBT	1,708	3,059	1,943	13.8	-36.5	8,005	9,057	13.1
Total Tax	225	224	315	40.3	40.9	667	911	36.6
PAT (before Minority Interest)	1,483	2,835	1,628	9.7	-42.6	7,338	8,146	11.0
Minority Interest	-6	45	6	-201.7	-86.9	43	81	-193.1
Reported PAT	1,489	2,790	1,622	8.9	-41.9	7,294	8,065	10.6
Extraordinary items	0	0	0	NA	NA	59	0	NA
Adjusted PAT	1,489	2,790	1,622	8.9	-41.9	7,235	8,065	11.5
EPS	3.4	6.4	3.7	8.9	-41.9	16.7	18.5	10.6

Margins (%)	4QFY24	3QFY25	4QFY25	YoY (bp)	QoQ (bp)	FY24	FY25	(bp)
Gross Margin	65.8	70.3	65.9	10	-440	67.6	68.6	110
EBITDA	23.7	32.3	22.8	-90	-950	26.5	26.9	40
EBIT	18.3	27.9	18.3	0	-970	21.3	22.2	90
EBT	19.2	29.1	20.2	100	-900	22.4	23.8	140
PAT	16.7	26.6	16.8	10	-970	20.2	21.2	100
Effective Tax Rate	13.2	7.3	16.2	310	890	8.3	10.1	170

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volume growth stood at 7% in 4QFY25

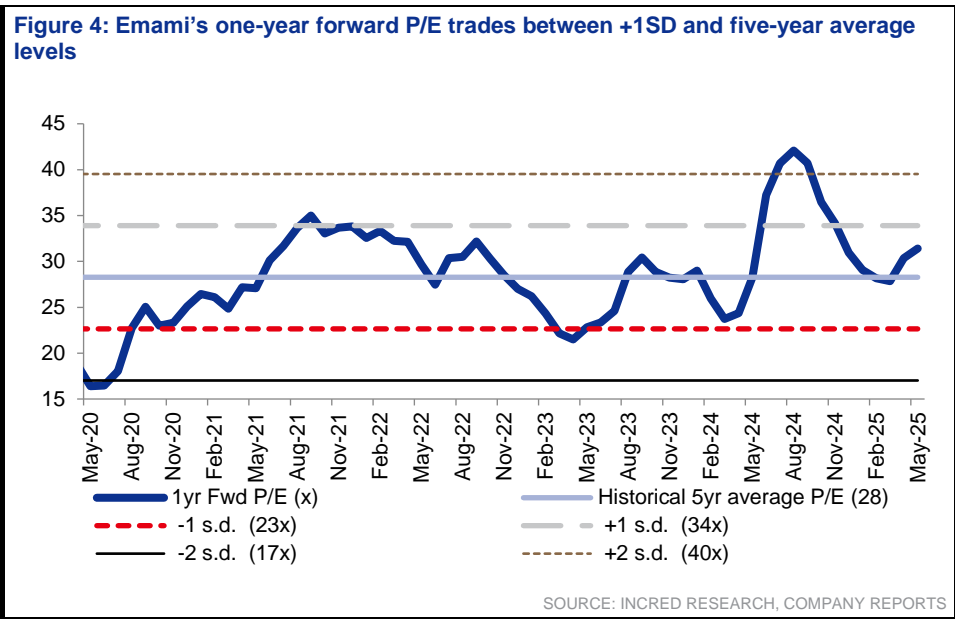


SOURCE: INCRED RESEARCH, COMPANY REPORTS

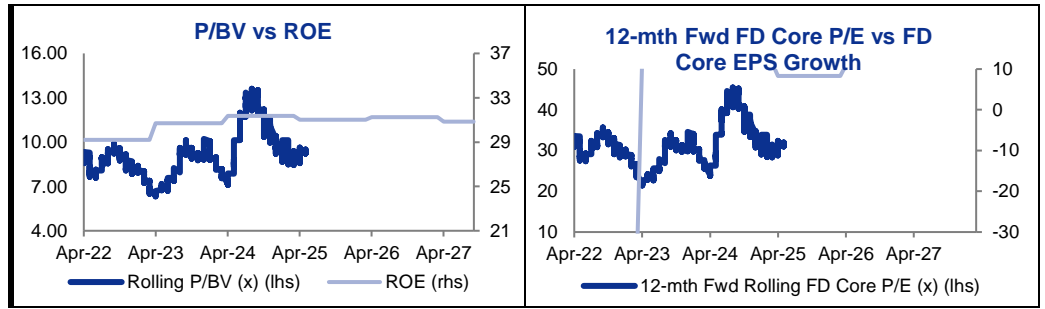
Figure 3: Our revised earnings estimates

Rs. m	FY26F			FY27F			FY28F
	Previous	Revised	% Change	Previous	Revised	% Change	Introduced
Revenue	41,429	41,391	(0.1)	45,370	45,239	(0.3)	44,281
EBITDA	11,441	11,119	(2.8)	12,631	12,243	(3.1)	11,895
EBITDA Margin (%)	27.6	26.9	-80bp	27.8	27.1	-80bp	26.9
Net Profit	9,902	8,733	(4.2)	10,984	9,697	(4.9)	10,366
EPS (Rs.)	20.8	20.0	(4.2)	23.4	22.2	(4.9)	23.4

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Net Revenues	35,781	38,092	41,391	45,239	49,664
Gross Profit	24,176	26,150	28,394	31,124	34,218
Operating EBITDA	9,495	10,251	11,119	12,243	13,490
Depreciation And Amortisation	(1,918)	(1,782)	(2,049)	(2,103)	(2,157)
Operating EBIT	7,577	8,469	9,070	10,140	11,333
Financial Income/(Expense)	368	588	799	806	813
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	8,004	9,057	9,869	10,946	12,146
Exceptional Items					
Pre-tax Profit	7,945	9,057	9,869	10,946	12,146
Taxation	(667)	(911)	(1,036)	(1,149)	(1,275)
Exceptional Income - post-tax					
Profit After Tax	7,278	8,145	8,833	9,797	10,871
Minority Interests	(43)	(81)	(100)	(100)	(100)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	7,235	8,065	8,733	9,697	10,771
Recurring Net Profit	7,289	8,065	8,733	9,697	10,771
Fully Diluted Recurring Net Profit	7,289	8,065	8,733	9,697	10,771

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	9,495	10,251	11,119	12,243	13,490
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(373)	409	(1,248)	(1,438)	(1,919)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	468	681	844	851	858
Net Interest (Paid)/Received	(100)	(93)	(45)	(45)	(45)
Tax Paid	(667)	(911)	(1,036)	(1,149)	(1,275)
Cashflow From Operations	8,824	10,336	9,633	10,462	11,109
Capex	(554)	(564)	(1,800)	(1,800)	(1,800)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(1,482)	(2,342)			
Other Investing Cashflow					
Cash Flow From Investing	(2,036)	(2,906)	(1,800)	(1,800)	(1,800)
Debt Raised/(repaid)	34	(42)			
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,492)	(5,500)	(6,329)	(6,329)	(6,329)
Preferred Dividends					
Other Financing Cashflow	(3,164)	(1,174)	(17)		
Cash Flow From Financing	(6,622)	(6,715)	(6,347)	(6,329)	(6,329)
Total Cash Generated	166	715	1,487	2,332	2,980
Free Cashflow To Equity	6,822	7,389	7,833	8,662	9,309
Free Cashflow To Firm	6,888	7,524	7,878	8,706	9,354

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Total Cash And Equivalents	3,624	6,969	8,456	10,788	13,768
Total Debtors	4,942	4,513	5,477	6,234	7,347
Inventories	3,234	3,081	3,658	4,370	5,205
Total Other Current Assets	2,601	3,023	3,097	3,381	3,708
Total Current Assets	14,401	17,586	20,688	24,774	30,029
Fixed Assets	11,212	9,994	9,745	9,442	9,085
Total Investments	2,805	2,517	2,517	2,517	2,517
Intangible Assets					
Total Other Non-Current Assets	4,379	5,239	5,239	5,239	5,239
Total Non-current Assets	18,396	17,750	17,501	17,198	16,841
Short-term Debt	785	725	725	725	725
Current Portion of Long-Term Debt					
Total Creditors	4,546	4,356	4,723	5,038	5,395
Other Current Liabilities	1,370	2,019	2,019	2,019	2,019
Total Current Liabilities	6,701	7,100	7,467	7,782	8,138
Total Long-term Debt	154	173	173	173	173
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	154	173	173	173	173
Total Provisions	1,365	1,130	1,130	1,130	1,130
Total Liabilities	8,220	8,403	8,770	9,085	9,441
Shareholders Equity	24,466	26,948	29,334	32,701	37,143
Minority Interests	111	(14)	86	186	286
Total Equity	24,577	26,934	29,420	32,887	37,428

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	5.1%	6.5%	8.7%	9.3%	9.8%
Operating EBITDA Growth	10.1%	8.0%	8.5%	10.1%	10.2%
Operating EBITDA Margin	26.5%	26.9%	26.9%	27.1%	27.2%
Net Cash Per Share (Rs)	6.15	13.91	17.32	22.66	29.49
BVPS (Rs)	56.05	61.74	67.20	74.92	85.09
Gross Interest Cover	76.54	90.67	203.37	227.37	254.12
Effective Tax Rate	8.4%	10.1%	10.5%	10.5%	10.5%
Net Dividend Payout Ratio	47.9%	68.2%	72.5%	65.3%	58.8%
Accounts Receivables Days	46.35	45.30	44.05	47.25	49.91
Inventory Days	102.44	96.50	94.63	103.79	113.14
Accounts Payables Days	136.95	136.04	127.49	126.21	123.27
ROIC (%)	37.3%	43.5%	44.3%	46.9%	48.9%
ROCE (%)	31.2%	29.3%	30.7%	32.1%	31.9%
Return On Average Assets	21.8%	22.2%	21.9%	22.4%	22.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework

Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.