

India

ADD (no change)

Consensus ratings*:	Buy 20	Hold 6	Sell 3
Current price:	Rs670		
Target price:	Rs785		
Previous target:	Rs925		
Up/downside:	17.2%		
InCred Research / Consensus:	-12.7%		
Reuters:			
Bloomberg:	HMN IN		
Market cap:	US\$4,050m		
	Rs294,118m		
Average daily turnover:	US\$11.5m		
	Rs834.3m		
Current shares o/s:	444.5m		
Free float:	45.2%		
*Source: Bloomberg			

Key changes in this note

- Lower target price to Rs785 from Rs925.
- Lower FY26F/27F EPS by 9.5%-14.3%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(9.4)	(13.9)	31.2
Relative (%)	(7.0)	(14.6)	7.2

Major shareholders	% held
Promoter	54.8
DSP Investment Managers	3.5
HDFC AMC	3.1

Research Analyst(s)



Rohan KALLE
T (91) 22 4161 1561
E rohan.kalle@incredresearch.com
Nishant BAGRECHA
T (91) 22 4161 1564
E nishant.bagrecha@incredresearch.com
Saurabh SINGH
T (91) 2241611558
E saurabh.singh@incredresearch.com

Emami Ltd

Favourable seasonality to aid growth in 2H

- Emami's 2QFY25 consolidated sales grew by 9.7% yoy, with an 8.7% volume growth. The IBD grew by 10% yoy (11% on a constant currency or CC basis).
- Consol. gross/EBITDA margins expanded by 60bp/110bp yoy to 70.1%/28.1%, respectively. Emami is not expected to be aggressive in price hikes in FY25F.
- A recovery in sight in rural markets bodes well for Emami. Retain ADD rating on it with a lower target price of Rs785 (35x Sep 2026F EPS) vs. Rs925 earlier.

Weakness in male grooming biz and Kesh King impacted sales in 2Q

Domestic sales/volume grew by 2.6%/1.7% yoy while international business grew by 6%/6% in INR/constant currency or CC terms, respectively, in 2QFY25. Consolidated sales grew by 3% yoy. The Navratna and Dermicool range clocked a 10% yoy growth in 2Q. New products were launched in talcum powder & shower gel categories under Dermicool. The healthcare range grew by 11% yoy led by double-digit growth in Nityam, Generic Range, Vigorex, Cough Syrup, Health Juices & Honey segments. The Boroplus range grew by 2% led by strong growth in Boroplus Aloe Vera Gel & soaps. Boroplus Soft was relaunched in Sep 2024 with revamped packaging. The pain management segment grew by 5% led by Ortho Vedic Oil & Fast Relief spray gaining traction in new-age channels. Male grooming/Kesh King/7 Oils in One declined by 13%/9%/3% yoy, respectively and reined under pressure. Organized trade channels performed well and are now 26.6% of sales.

Corrective actions underway; favourable winter to drive a better 2H

Emami is taking corrective actions to revive growth in the male grooming, Kesh King & Boroplus range, which were impacted by lower discretionary spending in these categories. Fair & Handsome will be relaunched with new packaging in 3QFY25F and the HE brand has been extended into more categories (refer Fig. 3). Consultants were hired to revive growth in Kesh King & Boroplus, and the strategy is expected to be finalized over the next two quarters, which will aid growth in FY26F. Severe winter (led by La Nina effect) to aid better domestic growth in 2H, aided by the festive season, leading to high single-digit growth in FY25F. Emami is not expected to be aggressive in taking price hikes, but management gave guidance regarding continuing its thrust on advertising (c.18% of FY25F sales targeted) for brand relaunches and the winter range, targeting double-digit EBITDA growth and margin expansion of 50-100bp in FY25F.

Retain ADD rating with a lower target price of Rs785

A favourable winter forecast (led by La Nina effect) driving growth in the winter range, coupled with initiatives to drive a recovery in the male grooming (driven by brand relaunch of F&H) and Kesh King range should aid in driving better growth in 2HFY25F, aided by the recovery in urban markets and festive demand. We remain optimistic about high single-digit growth in the near term and maintain our ADD rating on Emami, with a lower target price of Rs785 (35x Sep 2026F EPS). Downside risk: Slower-than-expected sales growth.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	34,057	35,781	38,653	41,818	45,826
Operating EBITDA (Rsm)	8,628	9,495	10,639	11,603	12,787
Net Profit (Rsm)	6,396	7,235	9,224	10,097	11,182
Core EPS (Rs)	14.5	16.6	19.3	21.3	23.8
Core EPS Growth	(24.0%)	14.6%	16.3%	10.4%	11.7%
FD Core P/E (x)	46.21	40.63	31.70	28.96	26.15
DPS (Rs)	8.0	8.0	11.0	11.0	11.0
Dividend Yield	1.22%	1.19%	1.64%	1.64%	1.64%
EV/EBITDA (x)	34.03	30.69	27.08	24.73	22.39
P/FCFE (x)	54.81	43.09	60.26	64.66	76.95
Net Gearing	(9.0%)	(10.9%)	(15.4%)	(16.8%)	(15.7%)
P/BV (x)	12.83	11.95	10.09	8.54	7.20
ROE	29.2%	30.7%	31.6%	29.4%	27.8%
% Change In Core EPS Estimates			(5.58%)	(9.49%)	(14.34%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

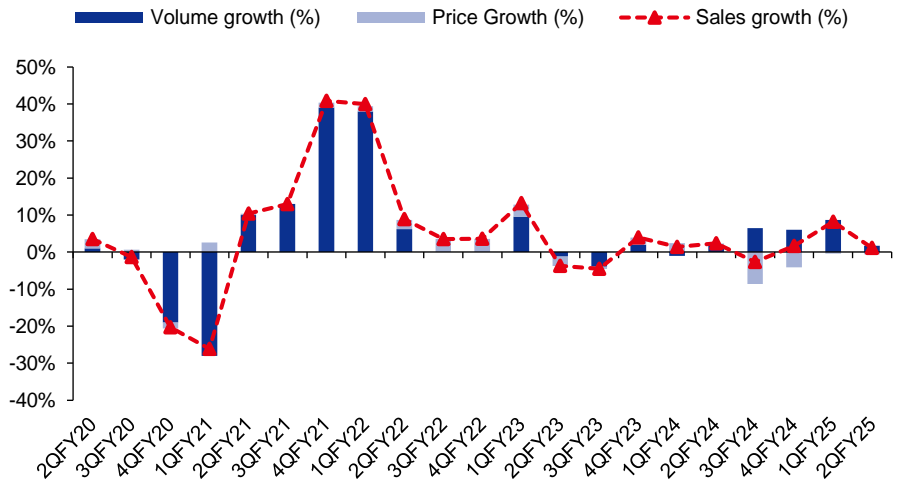
Favorable seasonality to aid growth in 2H

Figure 1: Quarterly results summary - consolidated

Y/E Mar (Rs. m)	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Revenue	8,649	9,061	8,905	3.0	-1.7	16,905	17,966	6.3
Expenditure	6,312	6,896	6,401	1.4	-7.2	12,669	13,297	5.0
Consumption of Raw Materials	2,588	2,930	2,610	0.9	-10.9	5,444	5,540	1.8
as % of Sales	29.9	32.3	29.3			32.2	30.8	
Employee Costs	1,017	1,111	1,129	11.0	1.6	2,031	2,239	10.3
as % of Sales	11.8	12.3	12.7			12.0	12.5	
Selling & Administrative Expenses	1,544	1,837	1,457	-5.6	-20.7	3,063	3,294	7.6
as % of Sales	17.9	20.3	16.4			18.1	18.3	
Other Expenditure	1,163	1,018	1,205	3.6	18.3	2,131	2,224	4.3
as % of Sales	13.5	11.2	13.5			12.6	12.4	
EBITDA	2,337	2,165	2,504	7.2	15.6	4,237	4,669	10.2
Depreciation	461	444	447	-3.1	0.5	921	891	-3.3
EBIT	1,876	1,721	2,057	9.7	19.6	3,316	3,778	13.9
Other Income	111	105	216	94.1	106.1	194	320	65.1
Interest	23	21	23	3.6	13.1	44	44	0.0
PBT	1,964	1,805	2,250	14.5	24.6	3,466	4,054	17.0
Total Tax	158	278	94	-40.4	-66.0	287	372	29.6
PAT (Before Minority Interest or MI)	1,806	1,527	2,155	19.3	41.1	3,179	3,682	15.8
Minority Interest	21	1	30	39.8	4816.7	16	30	-99.4
Reported PAT	1,785	1,526	2,126	19.1	39.3	3,162	3,652	15.5
Extraordinary Items	0	0	0	NA	NA	0	0	NA
Adjusted PAT	1,785	1,526	2,126	19.1	39.3	3,162	3,652	15.5
EPS	4.0	3.4	4.8	19.1	39.3	7.1	8.2	15.5
Margins (%)	2QFY24	1QFY25	2QFY25	YoY (bp)	QoQ (bp)	1HFY24	1HFY25	(bp)
Gross Margins	70.1	67.7	70.7	60	300	67.8	69.2	140
EBITDA	27.0	23.9	28.1	110	420	25.1	26.0	90
EBIT	21.7	19.0	23.1	140	410	19.6	21.0	140
EBT	22.7	19.9	25.3	250	530	20.5	22.6	210
PAT	20.6	16.8	23.9	320	700	18.7	20.3	160
Effective Tax Rate	8.1	15.4	4.2	-390	-1,120	8.3	9.2	90

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volume growth came off in 2Q; expected to improve in 2HFY25F led by festive season and favourable seasonality for the winter range



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: New launches in 2QFY25 – Dermicool & HE brands see the highest new launches out of the entire lot



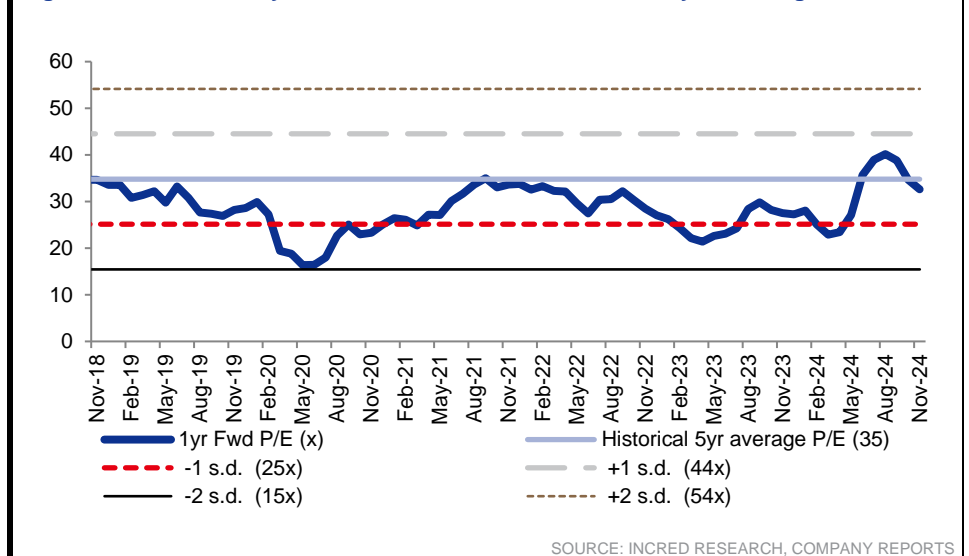
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Our revised earnings estimates

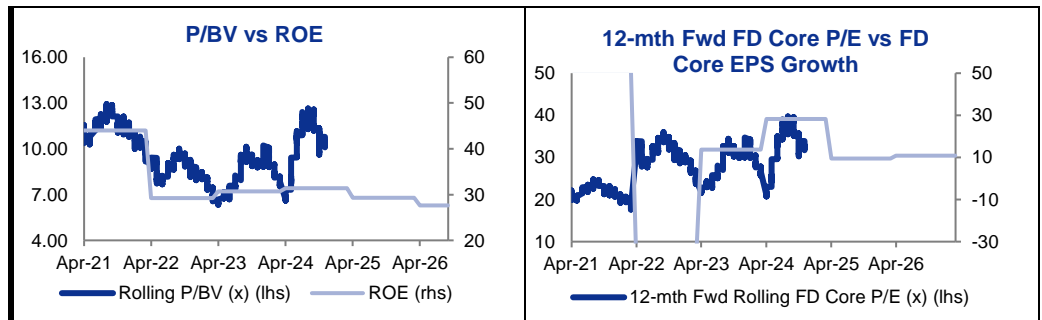
Rs. m	FY25F			FY26F			FY27F		
	Previous	Revised	% Change	Previous	Revised	% Change	Previous	Revised	% Change
Revenue	40,454	38,653	(4.5)	44,839	41,818	(6.7)	49,850	45,826	(8.1)
EBITDA	11,274	10,639	(5.6)	12,797	11,603	(9.3)	14,864	12,787	(14.0)
EBITDA Margin (%)	27.9	27.5	-30bp	28.5	27.7	-80bp	29.8	27.9	-190bp
Net Profit	9,820	9,224	(6.1)	11,217	10,097	(9.5)	13,132	11,182	(14.4)
EPS (Rs.)	20.5	19.2	(6.1)	23.6	21.2	(9.5)	27.8	23.7	(14.4)

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Emami's one-year forward P/E trades below its five-year average



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	34,057	35,781	38,653	41,818	45,826
Gross Profit	22,044	24,176	26,444	28,945	32,086
Operating EBITDA	8,628	9,495	10,639	11,603	12,787
Depreciation And Amortisation	(2,473)	(1,918)	(1,060)	(1,117)	(1,175)
Operating EBIT	6,155	7,577	9,579	10,486	11,613
Financial Income/(Expense)	615	368	322	367	422
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	6,770	8,004	9,060	10,014	11,195
Exceptional Items					
Pre-tax Profit	6,770	7,945	9,900	10,854	12,035
Taxation	(421)	(667)	(577)	(657)	(753)
Exceptional Income - post-tax					
Profit After Tax	6,349	7,279	9,324	10,197	11,282
Minority Interests	47	(43)	(100)	(100)	(100)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	6,396	7,235	9,224	10,097	11,182
Recurring Net Profit	6,396	7,289	8,433	9,308	10,395
Fully Diluted Recurring Net Profit	6,396	7,289	8,433	9,308	10,395

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	8,628	9,495	10,639	11,603	12,787
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(94)	(373)	(4,163)	(5,452)	(3,317)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	689	468	445	490	546
Net Interest (Paid)/Received	(74)	(100)	(123)	(123)	(123)
Tax Paid	(421)	(667)	(577)	(657)	(753)
Cashflow From Operations	8,728	8,824	6,221	5,862	9,140
Capex	(1,519)	(554)	(1,240)	(1,340)	(1,340)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	93	(1,482)			(4,000)
Other Investing Cashflow					
Cash Flow From Investing	(1,426)	(2,036)	(1,240)	(1,340)	(5,340)
Debt Raised/(repaid)	(1,910)	34	(129)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,592)	(3,492)	(4,802)	(4,802)	(4,802)
Preferred Dividends					
Other Financing Cashflow	(1,112)	(3,164)	1,643	1,576	1,656
Cash Flow From Financing	(6,614)	(6,622)	(3,288)	(3,226)	(3,146)
Total Cash Generated	688	166	1,693	1,297	654
Free Cashflow To Equity	5,392	6,822	4,852	4,522	3,800
Free Cashflow To Firm	7,376	6,888	5,104	4,645	3,923

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	2,981	3,624	5,317	6,614	7,268
Total Debtors	4,146	4,942	6,295	8,046	9,468
Inventories	3,280	3,234	5,901	7,405	9,177
Total Other Current Assets	2,738	2,601	3,748	6,006	6,574
Total Current Assets	13,145	14,401	21,261	28,071	32,486
Fixed Assets	12,517	11,212	10,552	9,935	9,260
Total Investments	1,800	2,805	2,805	2,805	6,805
Intangible Assets					
Total Other Non-Current Assets	3,637	4,379	3,677	2,911	2,065
Total Non-current Assets	17,953	18,396	17,033	15,651	18,130
Short-term Debt	815	785	656	656	656
Current Portion of Long-Term Debt					
Total Creditors	4,072	4,546	4,757	4,819	5,263
Other Current Liabilities	1,301	1,370	1,348	1,348	1,348
Total Current Liabilities	6,188	6,701	6,761	6,823	7,267
Total Long-term Debt	91	154	154	154	154
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	91	154	154	154	154
Total Provisions	1,693	1,365	2,179	2,179	2,179
Total Liabilities	7,971	8,220	9,095	9,157	9,601
Shareholders Equity	23,028	24,466	28,988	34,254	40,604
Minority Interests	100	111	211	311	411
Total Equity	23,128	24,577	29,199	34,565	41,015

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	6.9%	5.1%	8.0%	8.2%	9.6%
Operating EBITDA Growth	(9.4%)	10.1%	12.0%	9.1%	10.2%
Operating EBITDA Margin	25.3%	26.5%	27.5%	27.7%	27.9%
Net Cash Per Share (Rs)	4.71	6.15	10.32	13.29	14.79
BVPS (Rs)	52.19	56.05	66.41	78.47	93.02
Gross Interest Cover	83.27	76.52	71.03	78.40	87.56
Effective Tax Rate	6.2%	8.4%	5.8%	6.0%	6.3%
Net Dividend Payout Ratio	56.2%	47.9%	57.3%	51.9%	46.4%
Accounts Receivables Days	39.41	46.35	53.06	62.59	69.75
Inventory Days	104.16	102.44	136.54	188.64	220.24
Accounts Payables Days	123.94	135.51	139.06	135.76	133.91
ROIC (%)	29.4%	37.3%	36.3%	34.3%	36.0%
ROCE (%)	26.2%	30.9%	29.1%	29.0%	28.4%
Return On Average Assets	18.6%	21.8%	23.0%	21.9%	21.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

DISCLAIMER

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000011024. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. While every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which is believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made (information barriers and other arrangements may be established, where necessary, to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short-term views, etc.) that are inconsistent with and reach a different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

Research Analyst or his/her relative(s) or InCred Research Services Private Limited or our associate may have any financial interest in the subject company.

Research Analyst or his/her relatives or InCred Research Services Limited or our associates may have actual or beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report.

Research Analyst or his/her relative or InCred Research Services Private Limited or our associate entities may have any other material conflict of interest at the time of publication of the Research Report.

In the past 12 months, IRSPL or any of its associates may have:

- a) Received any compensation/other benefits from the subject company,
- b) Managed or co-managed public offering of securities for the subject company,
- c) Received compensation for investment banking or merchant banking or brokerage services from the subject company,
- d) Received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company

We or our associates may have received compensation or other benefits from the subject company(ies) or third party in connection with the research report.

Research Analyst may have served as director, officer, or employee in the subject company.

We or our research analyst may engage in market-making activity of the subject company.

Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based on any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.

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.