

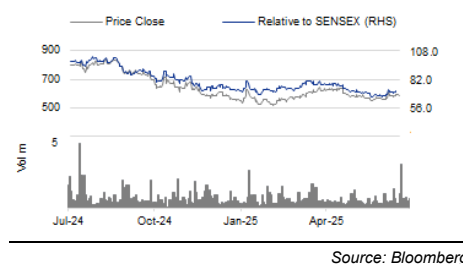
India

ADD (no change)

Consensus ratings*:	Buy 21 Hold 5 Sell 1
Current price:	Rs601
Target price:	Rs690
Previous target:	Rs710
Up/downside:	14.8%
InCred Research / Consensus:	-3.4%
Reuters:	EMAM.NS
Bloomberg:	HMN IN
Market cap:	US\$3,011m
	Rs263,733m
Average daily turnover:	US\$3.9m
	Rs345.0m
Current shares o/s:	444.5m
Free float:	45.2%
*Source: Bloomberg	

Key changes in this note

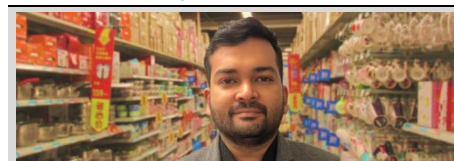
- Lower our target price to Rs690 from Rs710.



Price performance	1M	3M	12M
Absolute (%)	6.2	(3.5)	(26.9)
Relative (%)	9.5	(4.7)	(26.3)

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

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Emami Ltd

Winter range in focus after a weak summer

- Domestic sales/volume in 1QFY26 declined by 1%/3% yoy, respectively. The international business was up 2%. Consolidated sales were flat yoy.
- The summer product portfolio declined on a high base, dragged by a shorter summer season this year because of the early onset of monsoons.
- Corrective actions are underway to revive portfolio laggards. We remain optimistic on Emami & maintain ADD rating on it with a new TP of Rs690.

Core categories (ex-summer range) post 3% volume growth

Emami's domestic sales/volume in 1QFY26 declined by 1%/3% yoy, respectively, while the international business posted 2% yoy growth, which led to flat yoy growth at a consolidated level. Emami faced headwinds from a high base and a weak summer season because of the early onset of monsoons this year. Excluding talcum powder, which declined 17% yoy on a high (54%) growth base, core domestic sales were up 6% with a 3% volume growth. For the full summer season this year (Jan to Jun 2025), the category posted flat growth, despite weather-related headwinds. The Navratna and Dermicool range declined 5% during the quarter (up 7% ex-talcum powder). The pain management range grew by 17% led by strong growth in balms and the outperformance of gels and spray formats in consumer-facing channels. The healthcare range grew by 4%, led by new launches. The BoroPlus range continues to remain weak, declining by 5% yoy, although cream formats fared better. The male grooming range continues to reel from competitive pressure and consumption stress at the mass-end, declining 9% during the quarter. The Smart & Handsome brand will see new category extensions in 2HFY26F, aided by media campaigns. Kesh King continued to remain under pressure, declining by 5% yoy during the quarter. A relaunch is planned in 2HFY26F with new formulations and packaging, backed by media campaigns. Strategic subsidiaries (The Man Company & Brillare) declined by 4% yoy. The Man Company has come back to the growth path in Jun 2025 and will be ramped up across online channels, including quick commerce channels, while Brillare is seeing green shoots and will be expanded in offline channels.

Corrective steps to revive portfolio laggards underway; retain ADD

Emami has been working towards reviving laggards like its male grooming range, where it has completed the rebranding to Smart & Handsome, but has still failed to deliver growth and will further expand categories under this brand. Similar actions are planned under Kesh King, which will be relaunched in 2HFY26F. The near-term headwinds are expected to persist, with the talcum powder category likely to continue declining in 2QFY26F; however, the pain management range, which has been growing in low to mid-single digits in the last few quarters, is expected to continue improving. We maintain our ADD rating on Emami with a lower target price of Rs690 (27x Sep 2027F EPS) from Rs710 earlier, as we roll forward our estimates. Downside risks: Continued consumption stress at the mass-end of the portfolio leading to lower-than-expected sales growth.

Financial Summary	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue (Rsm)	35,781	38,092	41,429	45,370	49,811
Operating EBITDA (Rsm)	9,495	10,251	11,249	12,424	13,761
Net Profit (Rsm)	7,235	8,065	10,215	11,328	12,607
Core EPS (Rs)	16.6	18.5	21.6	24.1	27.1
Core EPS Growth	14.6%	11.2%	16.8%	11.8%	12.2%
FD Core P/E (x)	36.43	32.51	25.67	23.14	20.80
DPS (Rs)	8.0	8.0	11.0	11.0	11.0
Dividend Yield	1.33%	1.33%	1.83%	1.83%	1.83%
EV/EBITDA (x)	27.49	24.98	22.64	20.51	18.46
P/FCFE (x)	38.64	35.48	91.88	82.97	64.90
Net Gearing	(10.9%)	(22.5%)	(22.1%)	(18.6%)	(17.3%)
P/BV (x)	10.72	9.73	7.69	6.46	5.45
ROE	30.7%	31.4%	30.9%	28.2%	26.6%
% Change In Core EPS Estimates			0.01%	0.58%	0.27%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

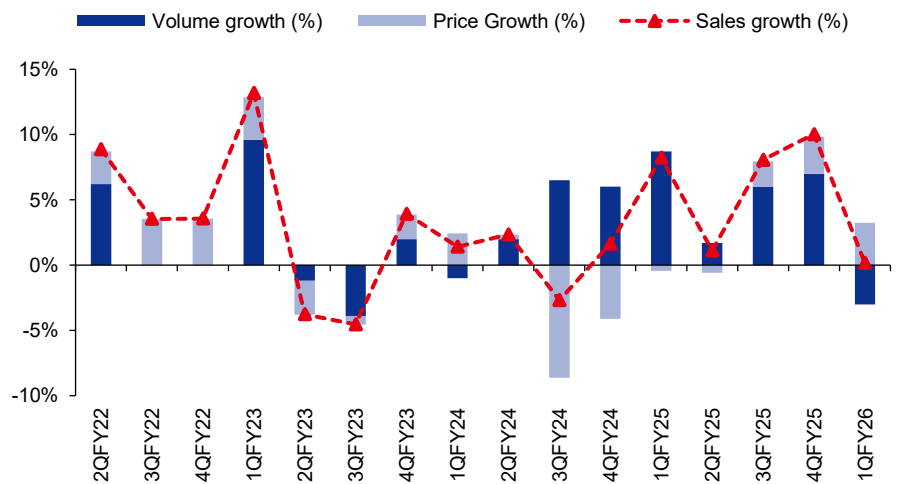
Winter range in focus after a weak summer

Figure 1: Quarterly results summary – consolidated

Y/E Mar (Rs. m)	1QFY25	4QFY25	1QFY26	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Revenue	9,061	9,631	9,041	-0.2	-6.1	35,781	38,092	6.5
Expenditure	6,896	7,436	6,899	0.0	-7.2	26,286	27,841	5.9
Consumption of Raw Materials	2,930	3,284	2,765	-5.6	-15.8	11,605	11,942	2.9
as % of sales	32.3	34.1	30.6			32.4	31.4	
Employee Costs	1,111	1,106	1,195	7.6	8.0	3,956	4,470	13.0
as % of sales	12.3	11.5	13.2			11.1	11.7	
Selling & Administrative Expenses	1,837	1,889	1,798	-2.1	-4.8	6,522	6,940	6.4
as % of sales	20.3	19.6	19.9			18.2	18.2	
Other Expenditure	1,018	1,157	1,142	12.1	-1.3	4,202	4,488	6.8
as % of sales	11.2	12.0	12.6			11.7	11.8	
EBITDA	2,165	2,194	2,142	-1.1	-2.4	9,495	10,251	8.0
Depreciation	444	435	445	0.2	2.3	1,859	1,782	-4.1
EBIT	1,721	1,759	1,697	-1.4	-3.5	7,636	8,469	10.9
Other Income	105	212	216	106.4	2.0	468	681	45.5
Interest	21	28	24	18.0	-12.6	100	93	-6.4
PBT	1,805	1,943	1,889	4.7	-2.8	8,005	9,057	13.1
Total Tax	278	315	225	-19.0	-28.6	667	911	36.6
PAT (Before Minority Interest)	1,527	1,628	1,664	9.0	2.2	7,338	8,146	11.0
Minority Interest	1	6	21	3416.7	257.6	43	81	-68.6
Reported PAT	1,526	1,622	1,643	7.6	1.3	7,294	8,065	10.6
Extraordinary Items	0	0	0	NA	NA	59	0	NA
Adjusted PAT	1,526	1,622	1,643	7.6	1.3	7,235	8,065	11.5
EPS	3.5	3.7	3.7	5.7	-0.5	16.7	18.5	10.6
Margins (%)								
Gross Margin	67.7	65.9	69.4	180	350	67.6	68.6	110
EBITDA	23.9	22.8	23.7	-20	90	26.5	26.9	40
EBIT	19.0	18.3	18.8	-20	50	21.3	22.2	90
EBT	19.9	20.2	20.9	100	70	22.4	23.8	140
PAT	16.8	16.8	18.2	130	130	20.2	21.2	100
Effective Tax Rate	15.4	16.2	11.9	-350	-430	8.3	10.1	170

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: High base of the summer product portfolio and a weak season this year drags volume growth to -3% in 1QFY26



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Revenue growth remains weak; however, it was better than street estimate

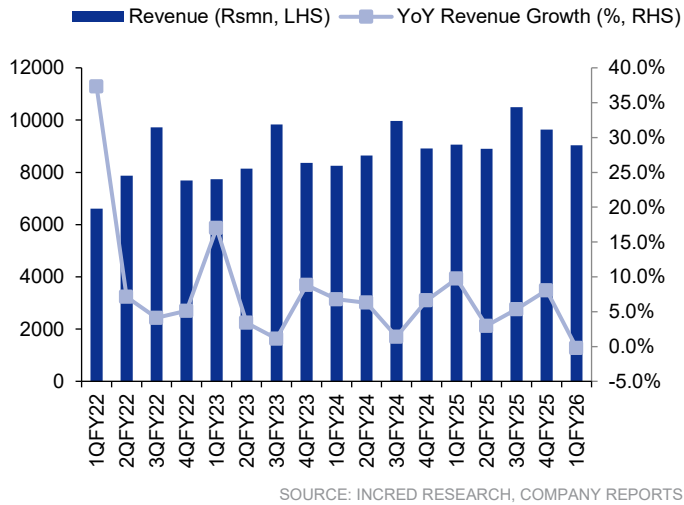


Figure 4: Gross margin expected to remain healthy, despite near-term headwinds

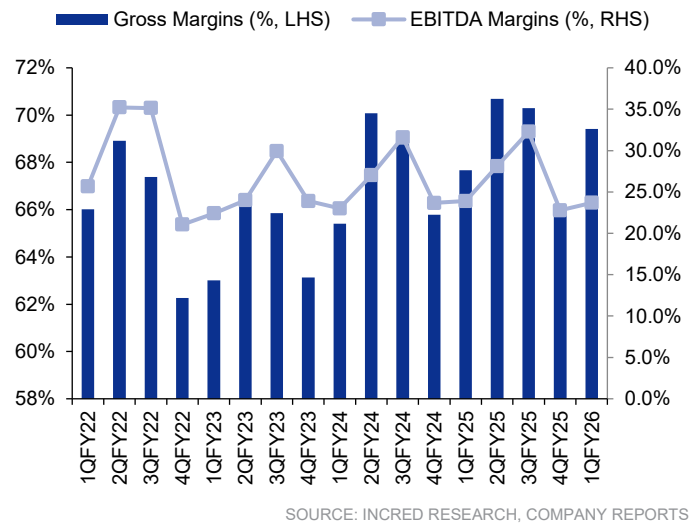


Figure 5: The pain management range saw strong growth on a low base



Figure 6: The healthcare range posted low growth on a high base

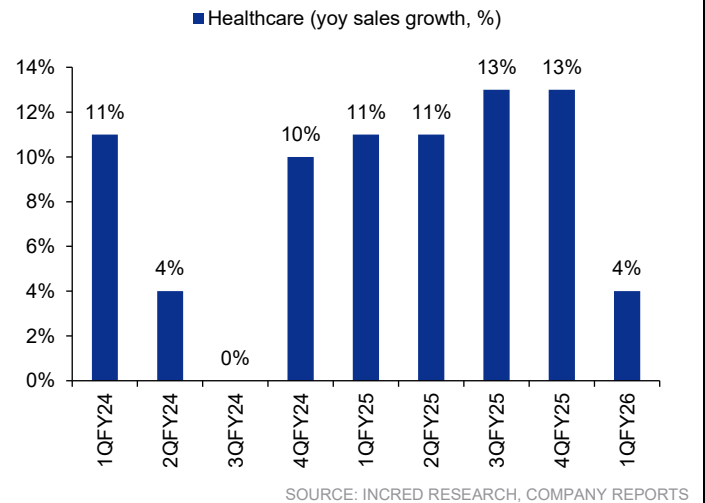


Figure 7: Relaunch of the Kesh King brand planned in 2HFY26F to revive growth



Figure 8: The Navratna & Dermicool range declined 5% in 1QFY26

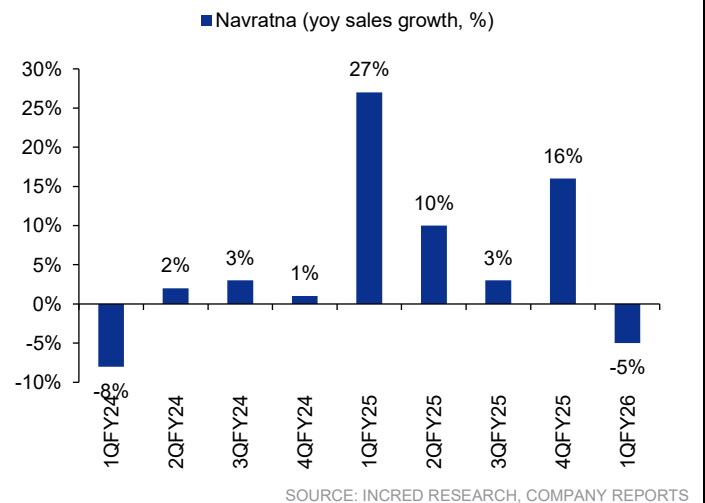
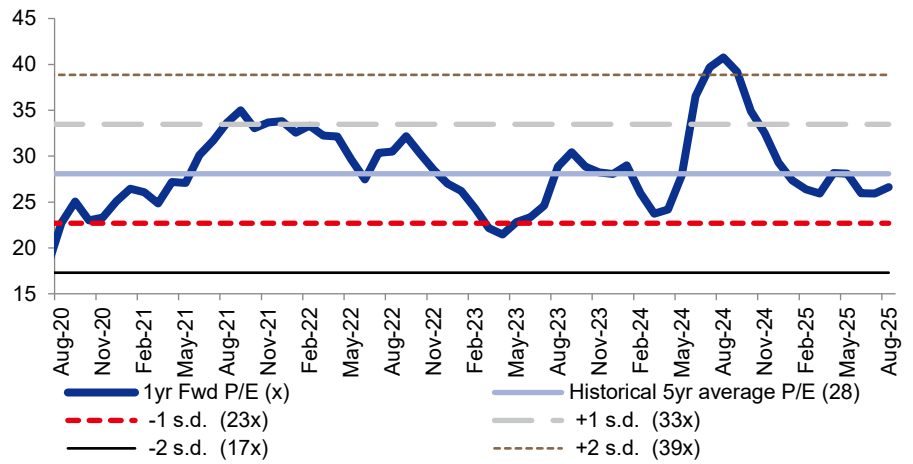


Figure 9: Our revised earnings estimates

Rs. m	FY26F			FY27F			FY28F		
	Previous	Revised	% Change	Previous	Revised	% Change	Previous	Revised	% Change
Revenue	41,429	41,429	-	45,370	45,370	-	49,811	49,811	-
EBITDA	11,249	11,249	-	12,424	12,424	-	13,761	13,761	-
EBITDA Margin (%)	27.2	27.2	0 bps	27.4	27.4	0bps	27.6	27.6	0bps
Net Profit	10,215	10,215	-	11,328	11,328	-	12,607	12,607	-
EPS (Rs.)	21.5	21.5	-	24.0	24.0	-	27.0	27.0	-

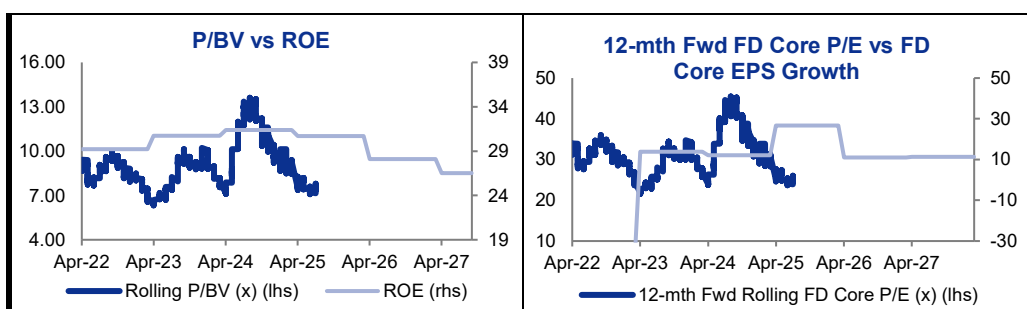
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Emami's one-year forward P/E trades close to its five-year average



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	41,429	45,370	49,811
Gross Profit	24,176	26,150	28,780	31,880	35,397
Operating EBITDA	9,495	10,251	11,249	12,424	13,761
Depreciation And Amortisation	(1,918)	(1,782)	(998)	(1,054)	(1,111)
Operating EBIT	7,577	8,469	10,251	11,370	12,651
Financial Income/(Expense)	368	588	660	756	872
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	8,004	9,057	10,071	11,286	12,682
Exceptional Items					
Pre-tax Profit	7,945	9,057	10,911	12,126	13,522
Taxation	(667)	(911)	(596)	(698)	(815)
Exceptional Income - post-tax					
Profit After Tax	7,279	8,146	10,315	11,428	12,707
Minority Interests	(43)	(81)	(100)	(100)	(100)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	7,235	8,065	10,215	11,328	12,607
Recurring Net Profit	7,289	8,065	9,421	10,536	11,818
Fully Diluted Recurring Net Profit	7,289	8,065	9,421	10,536	11,818

Cash Flow

(Rs mn)	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
EBITDA	9,495	10,251	11,249	12,424	13,761
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(373)	409	(7,075)	(3,982)	(4,438)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	468	681	780	876	992
Net Interest (Paid)/Received	(100)	(93)	(120)	(120)	(120)
Tax Paid	(667)	(911)	(596)	(698)	(815)
Cashflow From Operations	8,824	10,336	4,238	8,500	9,380
Capex	(554)	(564)	(1,340)	(1,340)	(1,340)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(1,482)	(2,342)		(4,000)	(4,000)
Other Investing Cashflow					
Cash Flow From Investing	(2,036)	(2,906)	(1,340)	(5,340)	(5,340)
Debt Raised/(repaid)	34	(42)	(44)		
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(3,492)	(3,492)	(4,802)	(4,802)	(4,802)
Preferred Dividends					
Other Financing Cashflow	(3,164)	(3,182)	3,393	1,668	1,570
Cash Flow From Financing	(6,622)	(6,715)	(1,453)	(3,133)	(3,231)
Total Cash Generated	166	715	1,445	27	809
Free Cashflow To Equity	6,822	7,389	2,853	3,160	4,040
Free Cashflow To Firm	6,888	7,524	3,018	3,280	4,160

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	8,414	8,441	9,250
Total Debtors	4,942	4,513	7,555	9,903	11,327
Inventories	3,234	3,081	5,615	7,162	8,969
Total Other Current Assets	2,601	3,023	5,732	6,267	7,975
Total Current Assets	14,401	17,586	27,317	31,774	37,521
Fixed Assets	11,212	9,994	9,496	8,942	8,332
Total Investments	2,805	2,517	2,517	6,517	10,517
Intangible Assets					
Total Other Non-Current Assets	4,379	5,239	4,432	3,545	2,565
Total Non-current Assets	18,396	17,750	16,445	19,004	21,413
Short-term Debt	785	725	681	681	681
Current Portion of Long-Term Debt					
Total Creditors	4,546	4,356	4,967	5,416	5,917
Other Current Liabilities	1,370	2,019	1,581	1,581	1,581
Total Current Liabilities	6,701	7,100	7,229	7,677	8,179
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	2,167	2,167	2,167
Total Liabilities	8,220	8,403	9,569	10,017	10,518
Shareholders Equity	24,466	26,948	34,108	40,575	48,131
Minority Interests	111	(14)	86	186	286
Total Equity	24,577	26,934	34,193	40,761	48,416

Key Ratios

	Mar-24A	Mar-25A	Mar-26F	Mar-27F	Mar-28F
Revenue Growth	5.1%	6.5%	8.8%	9.5%	9.8%
Operating EBITDA Growth	10.1%	8.0%	9.7%	10.5%	10.8%
Operating EBITDA Margin	26.5%	26.9%	27.2%	27.4%	27.6%
Net Cash Per Share (Rs)	6.15	13.91	17.32	17.38	19.24
BVPS (Rs)	56.05	61.74	78.14	92.96	110.27
Gross Interest Cover	76.52	90.67	78.36	87.68	98.34
Effective Tax Rate	8.4%	10.1%	5.5%	5.8%	6.0%
Net Dividend Payout Ratio	47.9%	43.3%	51.2%	45.8%	40.8%
Accounts Receivables Days	46.35	45.30	53.16	70.23	77.79
Inventory Days	102.44	96.50	125.46	172.84	204.24
Accounts Payables Days	135.51	136.04	134.52	140.46	143.49
ROIC (%)	37.3%	43.5%	35.8%	36.5%	37.3%
ROCE (%)	30.9%	31.4%	31.9%	31.0%	29.0%
Return On Average Assets	21.8%	22.2%	22.3%	20.8%	20.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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For any queries or grievances, you may contact the Grievance Officer.

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CIN: U74999MH2016PTC287535

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.