9 June 2025

Emami

Rating: **Buy**
Target price (12-mth): Rs.840
Share price: Rs.583

Growth revival on the cards; retaining a high conviction Buy

Driven by re-staging 'Smart and Handsome' in Q3 FY25 and 'Kesh King' (planned) in Q2 FY26, and D2C brands (TMC, Brillare) growth returning post management transition, we expect a 7% volume CAGR for Emami over FY25-27 (5% in FY25). The focus on innovation with 25 launches in FY25 and likely inorganic growth (Rs7.5bn cash on the Balance Sheet) should further support the growth outlook. The recent fall in prices of crude oil should keep input cost favourable, expanding margins (110bps over FY25-27). This should drive a 14% EPS CAGR over FY25-27; hence, we find the present valuation of 24x FY27e P/E attractive (a 37% discount to peers). Our TP of Rs840 implies 35x FY27e EPS.

Untimely rain could weigh on Q1, but portfolio seasonality concentration seen reducing. The contribution of seasonal products to domestic revenue has shrunk from 49% in FY20 to 44% in FY24. Emami has summer & winter products, impacted by adverse weather. In fact, unseasonal rains in Apr-May are expected to curtail demand for summer products in Q1. However, we are sanguine regarding longer-term growth notwithstanding seasonality, as core, rejigged and D2C brands fire up in coming quarters.

Launches, acquisition to boost growth. Over the years, Emami invested >Rs23.5bn for acquisitions, which today account for almost half of its revenue. With Rs7.5bn cash on its balance sheet, we expect it to take the M&A/ inorganic growth route to boost revenue. In FY25 it launched 25 products in male grooming, shampoo, soap, hair oil and health care. These will also add to growth in coming quarters. We are building in a 10% revenue CAGR over the next 2 years, aided by 7% volume growth.

Valuation. The stock trades at 27x/24x FY26e/27e EPS of Rs21.2/23.9. **Key risks:** Failure of launches, unwarranted or pricey acquisitions and stiff competition.

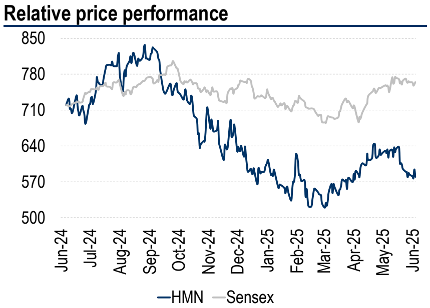
Key financials (YE Mar)	FY23	FY24	FY25	FY26e	FY27e
Sales (Rs m)	34,057	35,781	38,092	41,970	46,385
Net profit (Rs m)	6,471	7,331	8,028	9,243	10,443
EPS (Rs)	14.7	16.8	18.4	21.2	23.9
P/E (x)	39.8	34.7	31.7	27.5	24.4
EV / EBITDA (x)	29.2	26.5	24.4	21.3	18.6
P / BV (x)	11.2	10.4	9.0	7.8	6.7
RoE (%)	28.1	30.0	28.3	28.2	27.5
RoCE (%)	31.3	36.0	35.8	34.4	32.9
Dividend yield (%)	1.4	1.4	1.6	1.9	2.1
Net debt / equity (x)	-0.0	-0.1	-0.1	-0.2	-0.3

Source: Company, Anand Rathi Research

Key data	HMN IN / EMAM.BO
52-week high / low	Rs.856 / 508
Sensex / Nifty	82,189 / 25,003
Market cap	Rs.259bn
Shares outstanding	437m

Shareholding pattern (%)	Mar'25	Dec'24	Sept'24
Promoters	54.8	54.8	54.8
- of which, Pledged	*13.4*	*9.2*	*8.2*
Free Float	45.2	45.2	45.2
- Foreign Institutions	12.1	14.1	14.4
- Domestic Institutions	23.7	21.7	21.5
- Public	9.4	9.4	9.3

Relative price performance



Source: Bloomberg

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Quick Glance – Financials and Valuations

Fig 1 – Income statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Net revenues	34,057	35,781	38,092	41,970	46,385
Growth, %	6.7	5.1	6.5	10.2	10.5
Direct costs	12,014	11,605	11,943	13,131	14,421
Gross profit	22,044	24,176	26,149	28,838	31,964
Gross margins, %	64.7	67.6	68.6	68.7	68.9
Other expenses	13,416	14,680	15,898	17,315	18,954
EBITDA	**8,628**	**9,495**	**10,252**	**11,523**	**13,010**
EBITDA margins, %	25.3	26.5	26.9	27.5	28.0
- Depreciation	2,472	1,859	1,782	1,826	1,922
Other income	689	468	681	875	1,100
Interest expenses	74	100	93	89	85
PBT	6,770	8,005	9,057	10,483	12,102
Effective tax rates, %	6.2	8.3	10.1	11.5	13.5
+ Associates / (Minorities)	-122	6	118	35	25
Net Income	6,471	7,331	8,028	9,243	10,443
WANS	441	437	437	437	437
FDEPS (Rs)	14.7	16.8	18.4	21.2	23.9

Fig 2 – Balance sheet (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
Share capital	441	437	437	437	437
Net worth	23,028	24,466	28,347	32,789	37,994
Debt	736	657	657	657	657
Minority interest	100	111	229	264	289
TL / (Assets)	-3,502	-4,270	-4,270	-4,270	-4,270
Lease liabilities	-	-	-	-	-
Capital employed	**20,361**	**20,964**	**24,963**	**29,439**	**34,670**
Net tangible assets	6,594	6,185	7,402	7,576	8,154
Net intangible assets	5,326	4,432	4,432	4,432	4,432
Goodwill	-	-	-	-	-
CWIP (tang. & intang.)	597	595	150	150	250
Investments (strategic)	1,762	2,769	2,769	2,769	2,769
Investments (financial)	1,172	1,647	1,647	1,647	1,647
Current assets (excl. cash)	10,164	10,777	12,527	13,513	14,907
Cash	1,847	2,014	3,649	7,620	11,525
Current liabilities	7,100	7,454	7,612	8,267	9,013
Working capital	3,064	3,323	4,915	5,246	5,894
Capital deployed	**20,361**	**20,964**	**24,963**	**29,439**	**34,670**

Fig 3 – Cash-flow statement (Rs m)

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
PBT	6,695	7,908	9,057	10,483	12,102
+ Non-cash items	-2,076	-1,682	-1,194	-1,040	-908
Oper. prof. before WC	8,772	9,590	10,252	11,523	13,010
- Incr. / (decr.) in WC	-112	-337	-1,593	-331	-648
Others incl. taxes	1,170	1,463	911	1,206	1,634
Operating cash-flow	7,489	7,790	7,748	9,987	10,728
- Capex (tang. + intang.)	-301	-288	-2,555	-2,000	-2,600
Free cash-flow	7,188	7,502	5,193	7,987	8,128
Acquisitions					
- Div. (incl. buyback & taxes)	3,529	3,492	4,147	4,802	5,238
+ Equity raised	-10	-2,291	-	-	-
+ Debt raised	89	-133	-	-	-
- Fin investments	917	1,746	-	-	-
- Misc. (CFI + CFF)	2,536	-266	-588	-786	-1,015
Net cash-flow	284	106	1,635	3,971	3,905

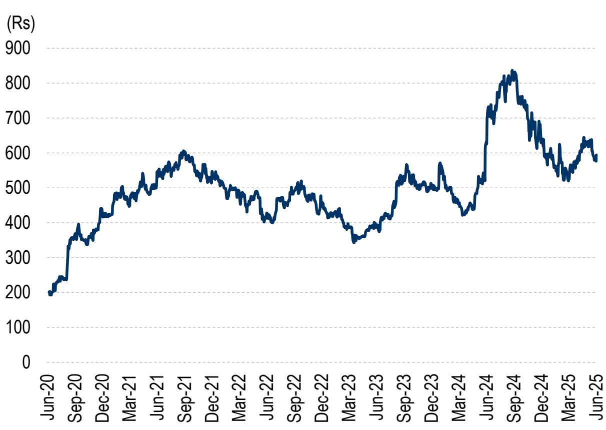
Source: Company, Anand Rathi Research

Fig 4 – Ratio analysis

Year-end: Mar	FY23	FY24	FY25	FY26e	FY27e
P/E (x)	39.8	34.7	31.7	27.5	24.4
EV / EBITDA (x)	29.2	26.5	24.4	21.3	18.6
EV / Sales (x)	7.4	7.0	6.6	5.9	5.2
P/B (x)	11.2	10.4	9.0	7.8	6.7
RoE (%)	28.1	30.0	28.3	28.2	27.5
RoCE (%) - after tax	31.3	36.0	35.8	34.4	32.9
RoIC (%) - after tax	35.3	42.9	44.5	47.0	50.6
DPS (Rs)	8.0	8.0	9.5	11.0	12.0
Dividend yield (%)	1.4	1.4	1.6	1.9	2.1
Dividend payout (%) - incl. DDT	54.5	47.6	51.7	51.9	50.2
Net debt / equity (x)	-0.0	-0.1	-0.1	-0.2	-0.3
Receivables (days)	44.4	50.4	47.4	45.0	45.0
Inventory (days)	35.2	33.0	33.0	32.9	32.6
Payables (days)	54.2	57.0	55.0	54.8	54.4
CFO : PAT %	115.7	106.3	96.5	108.1	102.7

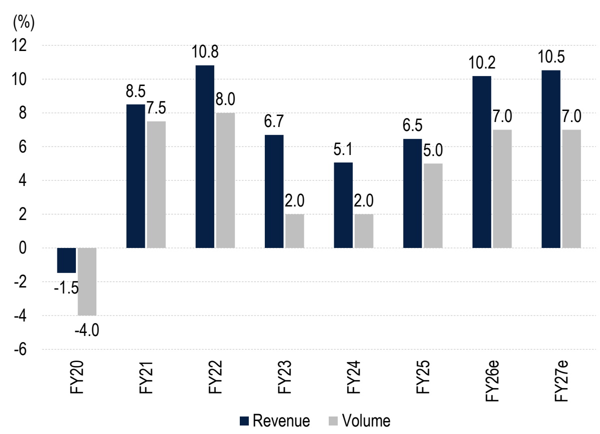
Source: Company, Anand Rathi Research

Fig 5 – Price movement



Source: Bloomberg

Fig 6 – Revenue-growth trend

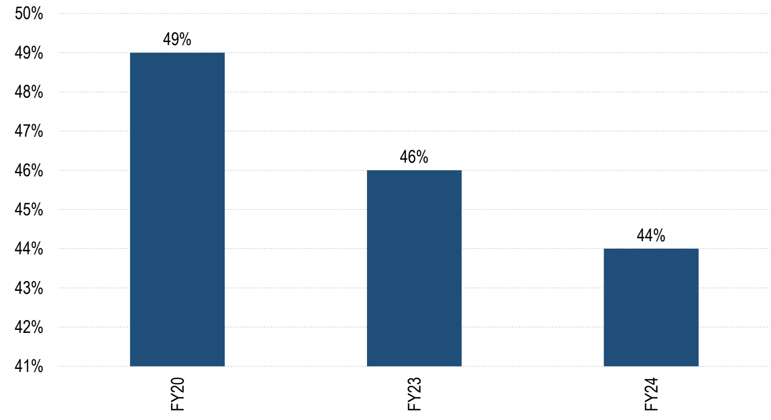


Source: Company

Portfolio seasonality reducing

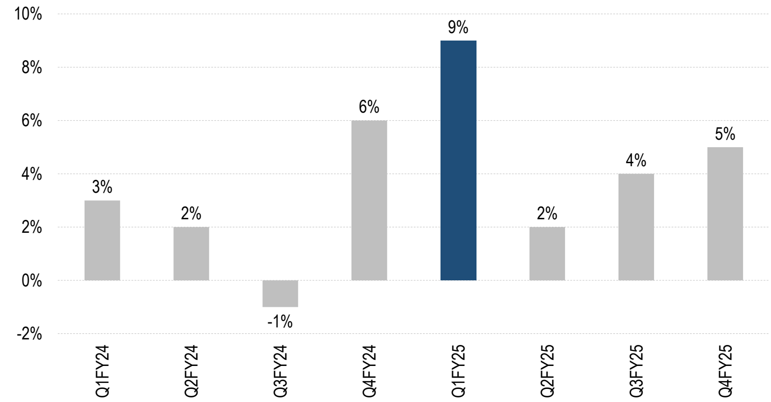
From FY20 to FY24 the contribution of its seasonal products to its domestic revenues has shrunk from 49% to 44%. Emami has both summer & winter products, which can get impacted by adverse weather. In fact, unseasonal rains this summer in Apr-May are expected to have curtailed demand for summer products in Q1. We, however, are sanguine regarding longer-term growth notwithstanding seasonality, as the core brands, brand rejig and D2C brands fire up in coming quarters.

Fig 7 – Domestic revenue of seasonal products



Source: Company, Anand Rathi Research

Fig 8 – Domestic volume growth rising; but high base, untimely rain detrimental



Source: Company, Anand Rathi Research

While unseasonal rains (curbing Emami's summer range) and a high base (9% volume growth) will have implications for Q1 FY26 growth, we are optimistic regarding FY26 growth, driven by the forecast of a normal monsoon, launches and potential inorganic growth opportunities. <u>We would like to highlight that rural markets bring >50% to the company's revenue and a good monsoon boosting rural demand could offset poor seasonal summer sales.</u>

New launches, likely acquisitions to boost growth

Over the years, Emami invested Rs23.5+bn in acquisitions, which today account for almost half of its revenue. With Rs7.5bn cash on its balance sheet, we expect it to take the M&A/inorganic growth route to boost its revenue.

Fig 9 – Acquisitions over the years

	Year	Revenue (Rs bn)	Acquisition cost (Rs bn)
Zandu	2008	8	1.7
Kesh King	2015	3	16.5
Creme21	2019	1	1
DermiCool	2022	1	4.3
The Man Company	2024	1.5	NA
Total		**14.5**	**23.5+**

Source: Company, Anand Rathi Research

Over the years, it gradually invested in D2C brands for a high-growth digital portfolio. Some of these successful brands are The Man Company and Brillare. It also invested in other D2C/niche brands such as TruNativ, Furball Story and Axiom, where its stake is <30% (it can gradually raise its stake, as these brands scale up).

New leadership to speed growth for its D2C brand, The Man Company

The company is focused on accelerating growth in The Man Company through strategic initiatives including marketplace scale-up, quick commerce expansion, a 360-degree brand revamp, and performance-led spend optimization to drive profitability.

As part of this agenda, **Zairus Master** has been appointed as CEO and Director. With over two decades' cross-industry experience and a track record at Honasa Consumer—where he managed brands such as Mamaearth, The Derma Co. and BBlunt—Mr Master brings deep expertise in scaling up consumer brands.

His appointment, a strategic move long in the making, aligns with the company's dual mandate for The Man Company (TMC): restoring strong growth starting this year and building a long-term path to profitability. With the original promoters having fully exited daily operations, his appointment has restored stability in TMC. A full brand revamp is underway, and the company expects a strong rebound in coming quarters.

Fig 10 – D2C brands where the company is invested, but not in control

Source: Company, AR Research

Innovations, brand rejig

25 products were launched in FY25 in male grooming, shampoo, soap, hair oil and health care. Given the addressable market in many of these categories, we expect a long runway of growth, if any launch succeeds. Thus, we are optimistic of these launches adding to growth.

Zandu Care platform to drive healthcare presence

The company launched the ZanduCare.com platform to create a digital healthcare ecosystem and sell its healthcare products.

The Zandu Care website had 11.5m unique visitors in FY24 with orders averaging Rs555. It also offers free doctor consultation. Zandu Care now contributes ~10% to the healthcare range revenue.

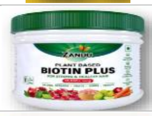
In fact, over the last 3-4 years the company launched >100 products on its Zandu Care platform. Many of these will also be available on other e-com platforms and/or retail chains.

Fig 11 – Recent launches

Segment	TAM (Rs)	Timeline	new Launches	Name
Prickly heat powder	9bn	Q1	Dermicool Her Prickly Heat Powder	
		Q2	Dermicool Sweat Reliever Super Talc	
Male grooming	151bn	Q2	He De-tan & deep cleaning facewash	
		Q2	He Style Lock shampoo	
		Q2	He fresh Impact Body wash	
		Q2	He Odour control shower Gel	
		Q2	He Absolute EDT perfume	
		Q2	He Pleasures EDT perfume	
		Q3	Smart and Handsome	
Personal care	1,730 bn	Q1	Keshking Organic Rosemary oil & shampoo	
		Q4	Emami Pure Glow	

Source: Company, Anand Rathi Research

Fig 12 – Recent launches

Segment	TAM (Rs)	Timeline	new Launches	Name
Healthcare range	740bn	Q1	Zandu Ashwagandha 66	
		Q1	Zandu Neelibhringhar Oil	
		Q1	Zandu DiaBTS tablets & tonic	
		Q1	Zandu Shilajit Gold Plus Resin	
		Q2	Zandu Daily health Super Greens	
		Q2	Zandu Dirghayuprash	
		Q2	Zandu hair growth Serum	
		Q4	Zandu plant based Biotin Plus	
		Q4	Zandu Hair growth Mask	
		Q4	Zandu Lemon & Honey green Tea	
Soap	350bn	Q1	Dermicool Soap	
		Q2	DermiCool Ice CoolShower Gel	

Source: Company, Anand Rathi Research

Smart & Handsome and the Kesh King rejig

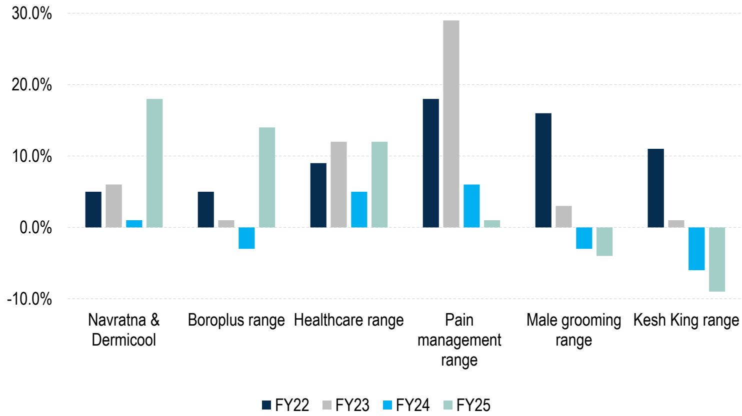
Emami re-vamped **S**mart **& H**andsome (S&H) in Q3 FY25, and Kesh King is being re-jigged in Q2 FY26. Over the last five years, growth in both has been flat to negative.

Following re-launch, de-growth in S&H has been arrested. While double-digit growth has yet to materialise (which remains the target), the brand is clearly on the path of recovery. As part of the strategic re-positioning, S&H is being expanded beyond creams and face-washes to a comprehensive male grooming portfolio. With this broader range, the company expects sustained growth ahead. The strategy for Kesh King (by BCG) is also ready, and will be rolled out in Q2.

The company is addressing challenges in Kesh King and The Man Company through strategic and tactical interventions. For the former, the strategy is being sharpened to resolve medium-term structural issues while tackling near-term challenges in e-commerce pricing, the SKU mix and media effectiveness. These targeted actions are expected to drive a turnaround in performance during the current fiscal.

In parallel, strategic initiatives are being undertaken to strengthen the male grooming portfolio, incl. The Man Company. With these measures in place, the company anticipates building positive momentum for both brands in FY26.

Fig 13 – Core brands have rebounded, S&H and Kesh King rejig to boost growth



Source: Company, Anand Rathi research

Valuation

Emami's niche portfolio and leading position afford it an enviable gross margin (~65%, one of the highest). Covid-19 hurt mass personal-care products, but we expect a swift recovery aided by a rural revival (50-55% of revenue). Further, the company's efforts in brand rejig, distribution, D2C brands, digital ventures and cost-savings should afford it steady 10/14%, revenue/EBITDA CAGRs over FY25-27.

After group company AMRI Hospitals was sold, promoter pledges have shrunk over the years to ~13% (~40% in FY23, ~90% in Q1 FY21) and are on the path to zero. Further, better demand, a healthy earnings outlook and attractive valuations (just ~24x FY27e) make Emami a compelling stock among mid-cap FMCGs. Our FMCG coverage universe trades at valuation of 38x FY27e EPS, which implies ~37% trading discount for Emami, which we believe is unjustified, given its revenue/earnings growth revival.

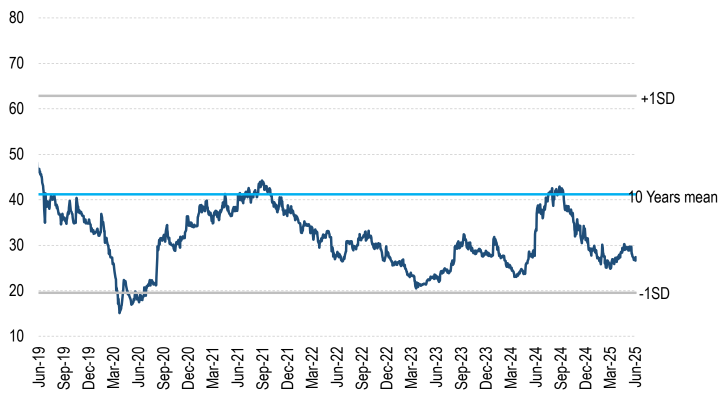
We are sanguine regarding steady revenue/earnings growth, driven by innovation, product rejig, D2C scaling up and favourable input prices. Hence, we retain our high conviction Buy rating, with a 12-mth Rs840 TP, 35x FY27e EPS. The stock trades at 27x/24x FY26e/27e EPS of Rs21.2/23.9.

Fig 14 – Peer Valuation

	CMP	M cap	EV	EPS		PE		EV/E	
	Rs/Sh	Rs bn	Rs bn	FY26e	FY27e	FY26e	FY27e	FY26e	FY27e
HUL	2,390	5,615	5,555	48.1	53.5	49.6	44.6	34.9	31.6
GCPL	1,210	1,237	1,273	23.4	27.5	51.7	44.0	37.2	33.4
Dabur	481	853	857	12.1	13.7	39.8	35.2	30.5	27.3
Marico	699	905	903	13.8	15.8	50.8	44.2	38.6	33.7
Emami	**583**	**254**	**252**	**21.2**	**23.9**	**27.5**	**24.4**	**21.3**	**18.6**
Zydus Wellness	1,947	124	125	64.8	78.0	30.1	25.0	26.6	21.5
Mrs Bector Food	1402	86	86	31.7	39.1	44.2	35.9	26.4	22.2

Source: Bloomberg, Anand Rathi Research

Fig 15 – One-year-forward PE



Source: Bloomberg, Anand Rathi Research

Key risks

- Failure of brand launches
- Unwarranted or overpriced acquisitions
- Price-based competition in key products
- Steep prices of key input materials.

Appendix

Analyst Certification

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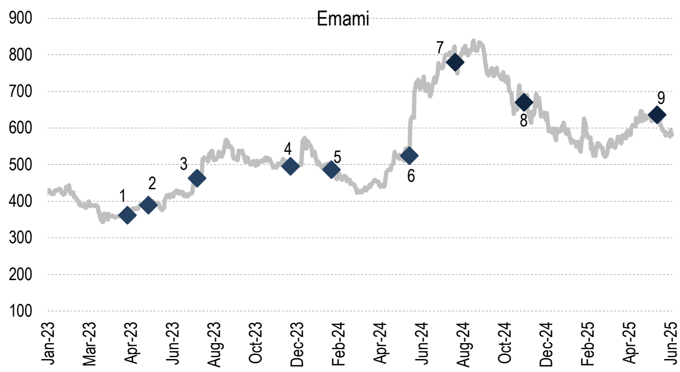
Rating and Target Price History (as of 9 June 2025)



	Date	Rating	TP (Rs)	Share Price (Rs)
1	20-Apr-23	Buy	462	362
2	26-May-23	Buy	470	385
3	8-Aug-23	Buy	572	462
4	7-Dec-23	Buy	623	502
5	10-Feb-24	Buy	616	485
6	30-May-24	Buy	730	612
7	4-Aug-24	Buy	930	780
8	10-Nov-24	Buy	900	670
9	18-May-25	Buy	840	636

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Analysts' ratings and the corresponding expected returns take into account our definitions of Large Caps, Mid Caps & Small Caps as described in the Ratings Table below:

Ratings Guide (12 months)

	Buy	Hold	Sell
Large Caps (Top 100 companies)	>15%	0-15%	<0%
Mid Caps (101st-250th company)	>20%	0-20%	<0%
Small Caps (251st company onwards)	>25%	0-25%	<0%

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