

**Price:** 618

**Recommendation:** Buy

**Industry:** Personal Care

**Sector:** Fast Moving Consumer Goods

**Report Date:** 21-Apr-2025

Emami Limited is driving growth through strategic initiatives, including rebranding "Fair and Handsome" to "Smart and Handsome" to expand its male grooming market. The company is enhancing distribution channels, with modern trade and e-commerce contributing significantly to domestic business. Emami is optimistic about international expansion, particularly in Russia and Bangladesh. Despite challenges in segments like "Kesh King," Emami is focused on strategic brand building and long-term value creation.

Sales		Profit & Loss		Profitability Matrix	
Current Year	3052 Cr	Operating Profit(Year)	935 Cr	Operating Profit Margin	30.6 %
Previous Year	2907 Cr	Operating Profit(Quarter)	328 Cr	EBITDA Margin	29.52 %
Current Quarter	879 Cr	PAT (Year)	681 Cr	Net Profit Margin	23.3 %
Previous Quarter	709 Cr	PAT (Quarter)	279 Cr	EPS	18.8
Revenue (QYoY)	813 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	32.9	Sales Growth	4.89 %	Sales Growth	23.98 %
PEG Ratio	1.89	PAT Growth	20.53 %	Sales Growth QYoY	8.12 %
EV/EBITDA	25.5	EPS Growth	18.24 %	PAT Growth	30.37 %
P/B	9.78	Dividend Yield	1.29	PAT Growth QYoY	9.41 %
Capital Allocation		Holdings		Leverage	
RoE	29.3 %	Promoter	54.8 %	Debt/Equity	0.01
RoA	24.3 %	FII	12.1 %	Debt	23.0 Cr
RoCE	31.3 %	DII	23.7 %	Market Cap	26980 Cr
RoIC	48.5 %	Public	9.38 %	Enterprise value	26844 Cr
		No of Shares	43.6 Cr	Cash Equivalents	159 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent concall, Emami Limited outlined several strategic initiatives and business strategies aimed at driving growth and diversification. A significant highlight was the rebranding of "Fair and Handsome" to "Smart and Handsome," which is expected to cater to a broader male grooming market. This strategic decision is driven by consumer insights emphasizing individuality and confidence, with a focus on natural skin health. The company is optimistic about this refreshed identity, supported by new product launches and celebrity endorsement by Kartik Aaryan. Additionally, the launch of "Mentho Plus Balm Total" in the southern region is positioned to leverage the existing brand equity of Mentho Plus Pain Balm, addressing a wider range of body pain issues.

Emami's business strategies include strengthening distribution channels, with modern trade, e-commerce, and institutional sales now contributing 28.6% to domestic business, marking a 160 basis point increase. This growth is nearly double the pace of the overall domestic business. The company continues to focus on profit-led growth, with gross margins expanding by 150 basis points to 70.3%, and EBITDA growing by 8% to INR 339 crores. The company also declared a second interim dividend of 400%, translating to INR 4 per equity share, reaffirming its commitment to maximizing shareholder returns.

Looking ahead, Emami is well-positioned for robust growth, with a positive outlook for the FMCG sector driven by improving macroeconomic indicators and a revival in demand. The company anticipates a turnaround in its international business, particularly in regions like Russia and Bangladesh, where product expansion is underway. Emami's focus on strategic brand building and long-term value creation is expected to drive superior performance across all business segments. The company is also exploring opportunities in the male grooming segment with "The Man Company," which is seeing sequential month-on-month improvement.

While the company has shown resilience and growth, there are areas for improvement. The male grooming segment, particularly "Kesh King," has faced challenges, with a decline in revenues. Emami is working with BCG to develop a robust strategy for this brand, with expectations of a revival in the coming quarters. Additionally, the company is addressing challenges in the Pancharishta segment by modernizing packaging and launching new campaigns. Emami's ability to adapt to market dynamics and consumer preferences will be crucial in sustaining its growth trajectory. Overall, the company's strategic initiatives and focus on diversification position it well for future growth, though continued attention to underperforming segments will be essential.

EMAMILTD Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Dabur India	84273.72	47.59	19.22%	10.79%	3.08%	23.54%	1.85%
Radix Industries	282.36	108.60	11.99%	17.48%	92.38%	138.10%	49.25%
Emami	26980.03	32.88	29.33%	23.92%	8.07%	30.50%	9.71%
Bajaj Consumer	2498.92	19.21	18.84%	0.18%	-1.98%	-20.53%	-30.37%
Cupid	1961.17	36.91	16.49%	7.36%	26.74%	9.96%	24.60%

Aspect	Commentary
Revenue	The company shows a steady increase in revenue, with a notable quarter-on-quarter growth of 23.98%. This indicates strong sales performance and effective market strategies, contributing to overall financial health.
Profit & Loss	Operating profit margins are robust, reflecting efficient cost management. The significant year-on-year PAT growth of 20.53% highlights improved profitability and operational efficiency.
Profitability Matrix	High operating profit and net profit margins indicate strong profitability. The EPS growth of 18.24% suggests effective earnings management, enhancing shareholder value.
Valuation Matrix	The trailing P/E ratio of 32.9 suggests market confidence in future earnings. A PEG ratio of 1.89 indicates growth potential, while a P/B ratio of 9.78 reflects high market valuation.
Growth (YoY)	Year-on-year sales growth of 4.89% and PAT growth of 20.53% demonstrate the company's ability to expand its market presence and improve profitability over time.
Growth (QoQ)	Quarter-on-quarter sales growth of 23.98% and PAT growth of 30.37% reflect strong short-term performance, driven by effective sales strategies and market demand.
Capital Allocation	High RoE and RoCE indicate efficient capital use, enhancing shareholder returns. The RoIC of 48.5% suggests strong investment returns, supporting long-term growth.
Holdings	Promoter holding at 54.8% shows strong insider confidence. Institutional investors hold a significant stake, indicating market trust in the company's strategic direction.
Leverage	A low debt/equity ratio of 0.01 indicates minimal leverage, reducing financial risk. The strong market cap and enterprise value reflect investor confidence and financial stability.

**Analyst viewpoint:** Emami Limited demonstrates a promising growth trajectory with a robust quarter-on-quarter sales increase of 23.98% and a significant 30.37% growth in PAT, indicating effective sales strategies and a strong market demand. The trailing P/E ratio of 32.9 underscores market confidence in the company's future earnings, while a PEG ratio of 1.89 suggests substantial growth potential. Their strategic maneuvers, including rebranding efforts like "Fair and Handsome" to "Smart and Handsome" and expansion into international markets such as Russia and Bangladesh, showcase their commitment to diversification and brand building, aligning with a broader consumer base.

Capital allocation highlights efficiency, with a high RoE of 29.3% and RoCE at 31.3%, enhancing shareholder returns and supporting sustained long-term growth. Emami's low debt/equity ratio of 0.01 demonstrates financial prudence, reducing risk and enhancing stability. While their dividend yields and modern trade advancements show commitment to shareholder value, potential challenges in specific product segments, such as the male grooming line "Kesh King," require attention for continued momentum. Nonetheless, their strategic foresight and agility position Emami as a compelling investment in the short to mid-term, within a growing FMCG sector.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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