

Retail Equity Research

Emami Limited

Personal Products

BSE CODE: 531162

NSE CODE: EMAMILTD

Bloomberg CODE: HMN:IN

SENSEX: 37,069

HOLD

12M Investment period

Rating as per Mid Cap

CMP Rs. 295

TARGET Rs. 312

RETURN 6%

(Closing: 29-08-19)



KEY CHANGES:

TARGET ↔

RATING ↔

EARNINGS ↔

Low discretionary spend impacts Q1 results

Emami Limited develops and distributes personal, beauty and healthcare products in India and other countries. The company manufactures herbal and Ayurvedic products, including antiseptic cream, pain balm and cool oil.

- Q1FY20 revenue came in at Rs. 649cr versus Rs. 614cr for the same period last year, beating street estimates marginally by 1.4%
- EBITDA grew 11.4% to Rs. 134cr in Q1FY20 as EBITDA margin improved 110bps YoY to 20.7%.
- Resultantly, adj. PAT rose 47.3% to Rs. 39cr with PAT margin at 6.1% (+171bps YoY).
- With expanding margins backed by onset of monsoons, we expect balm segment to perform better in FY20E.
- Given limited upside, we assign HOLD rating to the stock with a target price of Rs. 312 based on 28x FY21E adj. EPS.

Domestic growth sluggish while Crème 21 grew double digits

Revenue contribution was mainly from Domestic (83%), while International contributed 14% and others made up the rest (3%). Domestic sales grew moderately by 2.0% YoY due to liquidity crisis and slow momentum in the Indian market whereas International business grew by 34.0% YoY primarily driven by Crème 21 (10% YoY excluding crème 21). By geography, SAARC (Bangladesh, Nepal, Sri Lanka) and MENAP (UAE, Qatar, Oman, Kuwait, Bahrain) countries contributed to the robust sales growth. Domestic rural market posted weak sales growth of 1.0% mainly impacted by general elections while urban market posted around 2.5% growth in sales. By brand, Navratna (66.8% market share) grew 4.0% which was below street estimates considering peak season and the company expects growth in mid-high single digit if market recovers. Kesh King rose 30.0% after the relaunch and the management expects average growth for the year in range of 15.0% to 17.0% (26.0% market share). Pain balm (54.7% market share) declined 6.0% as it is highly seasonal and the company expects average growth for the year in range of 6.0% to 7.0% driven by consumer offers or through a slight rate push. Male grooming products (64.6% market share) declined 7.0% on account of slowdown in discretionary consumption and a turnaround is dependent on recovery in the economy.

Q1FY20 EBITDA margin up YoY despite weak gross margin

Q1FY20 gross margin declined 210bps YoY to 64.2% due to higher raw material costs. However, EBITDA grew 11.4% to Rs. 134cr, as advertising costs as a percentage of revenue were cut 330bps to Rs. 129cr due to sluggishness in the market. The company mentioned that there is no significant impact on changes from IND AS17 to IND AS116.

Key concall highlights

- The management expects gross margin to remain at Q1 levels although easing of input costs in H2FY20E could support expansion in margin.
- No new product launch expected primarily due to market conditions.

Valuation

We estimate PAT to grow at 27.2% FY19-21E CAGR and EBITDA margin to improve to 28.8% by FY21E. However, given limited upside, we assign HOLD rating to the stock with a target price of Rs. 312 based on 28x FY21E adj. EPS.

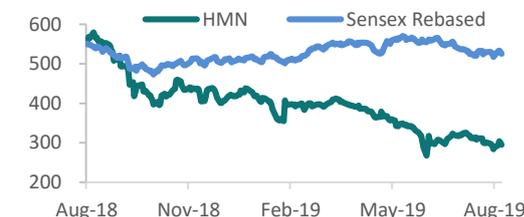
Company Data

Market Cap (cr)	Rs. 13,380
Enterprise Value (cr)	Rs. 12,943
Outstanding Shares (cr)	45.4
Free Float	47.0%
Dividend Yield	1.4%
52 week high	Rs. 585
52 week low	Rs. 246
6m average volume	507,766
Beta	0.7
Face value	Rs. 1

Shareholding %	Q3FY19	Q4FY19	Q1FY20
Promoters	72.7	62.7	52.7
FII's	10.8	11.3	11.9
MFs/Insti	7.7	17.4	25.1
Public	8.8	8.5	10.2
Others	0.0	0.0	0.0
Total	100.0	100.0	100.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-14.2%	-24.8%	-47.5%
Absolute Sensex	-6.2%	3.3%	-4.3%
Relative Return*	-8.1%	-28.2%	-43.2%

*over or under performance to benchmark index



Consolidated (Rs. cr)	FY19A	FY20E	FY21E
Sales	2,693	2,914	3,170
Growth (%)	5.9	8.2	8.8
EBITDA	726	807	912
EBITDA Margin (%)	26.9	27.7	28.8
Adj. PAT	313	376	506
Growth (%)	1.9	20.0	34.7
Adj. EPS	6.9	8.3	11.2
Growth (%)	1.9	20.0	34.7
P/E	56.3	35.6	26.4
P/B	8.5	6.0	5.3
EV/EBITDA	24.1	16.0	13.7
ROE (%)	14.6	16.7	20.0
D/E	0.1	0.1	0.0

Quarterly Financials (Consolidated)

Profit & Loss Account

	Q1FY20	Q1FY19	YoY Growth %	Q4FY19	QoQ Growth %
Revenue	649	614	5.6	640	1.4
EBITDA	134	120	11.4	155	(13.3)
EBITDA margins	20.7	19.6	110bps	24.2	(350bps)
Depreciation	84	84	-	81	3.3
EBIT	50	37	37.1	74	(31.5)
Interest	4	5	(5.0)	6	(30.0)
Other Income	11	5	134.9	17	(35.4)
Exceptional Items	-	-	-	-	-
PBT	57	37	54.5	84	(32.4)
Tax	18	10	71.6	28	(36.8)
Share of profit from Associate	(1)	(0)	63.3	(1)	14.3
Minority Interest	(0)	(0)	(30.0)	(0)	133.3
Reported PAT	39	27	47.3	56	(30.1)
Adjustments	-	-	-	-	-
Adjusted PAT	39	27	47.3	56	(30.1)
No. of shares	45.4	45.4	-	45.4	-
EPS (Rs.)	0.9	0.6	47.3	1.2	(30.1)



PROFIT & LOSS

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Revenue	2,533	2,543	2,693	2,914	3,170
% change	(3.5)	0.4	5.9	8.2	8.8
EBITDA	759	719	726	807	912
% change	11.0	(5.2)	0.8	11.2	13.0
Depreciation	309	311	325	332	306
EBIT	451	409	400	475	606
Interest	58	34	21	17	13
Other Income	31	18	25	42	80
PBT	424	393	403	500	673
% change	1.6	(7.3)	2.8	23.9	34.7
Tax	84	86	101	125	168
Tax Rate (%)	19.7	22.0	25.0	25.0	25.0
Reported PAT	340	307	303	376	506
Adj*	-	-	10	-	-
Adj PAT	340	307	313	376	506
% change	(5.2)	(9.8)	1.9	20.0	34.7
No. of shares (cr)	45.4	45.4	45.4	45.4	45.4
Adj EPS (Rs)	7.5	6.8	6.9	8.3	11.2
% change	(52.6)	(9.8)	1.9	20.0	34.7
DPS (Rs)	3.5	3.5	4.0	4.5	5.0
CEPS (Rs)	14.3	13.6	14.1	15.6	17.9

CASH FLOW

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Net inc. + Depn.	649	618	629	708	812
Non-cash adj.	143	(43)	(35)	20	17
Changes in W.C	(63)	13	(40)	(14)	(15)
C.F. Operation	730	588	554	714	814
Capital exp.	(281)	(123)	(133)	(143)	(155)
Change in inv.	(76)	(198)	115	-	-
Other invest.CF	60	42	(6)	-	-
C.F - Investment	(297)	(279)	(23)	(143)	(155)
Issue of equity	(4)	-	-	-	-
Issue/repay debt	(198)	(184)	(219)	-	-
Dividends paid	(199)	(119)	(159)	(204)	(227)
Other finance.CF	(95)	(21)	(50)	(17)	(13)
C.F - Finance	(496)	(324)	(428)	(222)	(240)
Chg. in cash	(72)	(12)	100	349	419
Closing cash	50	80	203	553	971

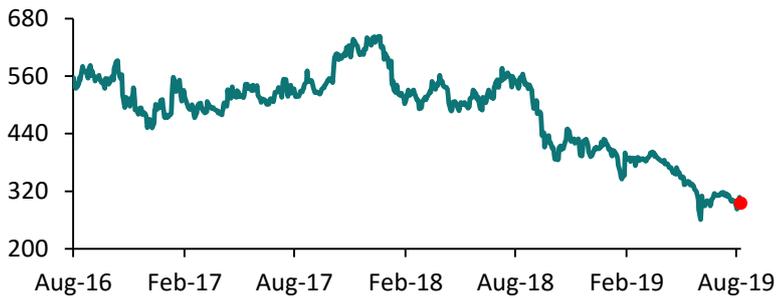
BALANCE SHEET

Y.E March (Rs. cr)	FY17A	FY18A	FY19A	FY20E	FY21E
Cash	50	80	203	553	971
Accounts Receivable	97	156	216	234	255
Inventories	179	194	222	235	251
Other Cur. Assets	132	271	208	212	217
Investments	148	241	234	231	228
Gross Fixed Assets	782	900	972	1,115	1,270
Net Fixed Assets	697	745	749	636	549
CWIP	13	23	35	38	41
Intangible Assets	1,252	1,009	877	799	731
Def. Tax (Net)	-	3	4	5	6
Other Assets	45	79	74	74	74
Total Assets	2,613	2,801	2,822	3,016	3,325
Current Liabilities	605	388	570	589	614
Provisions	24	24	20	20	20
Debt Funds	185	334	117	117	117
Other Liabilities	43	40	40	44	50
Equity Capital	23	23	45	45	45
Reserves & Surplus	1,732	1,991	2,031	2,202	2,481
Shareholder's Fund	1,755	2,014	2,076	2,248	2,527
Minority Interest	1	1	(0)	(1)	(2)
Total Liabilities	2,613	2,801	2,822	3,016	3,325
BVPS (Rs)	39	44	46	50	56

RATIOS

Y.E March	FY17A	FY18A	FY19A	FY20E	FY21E
Profitab. & Return					
EBITDA margin (%)	30.0	28.3	26.9	27.7	28.8
EBIT margin (%)	17.8	16.1	14.9	16.3	19.1
Net profit mgn. (%)	13.4	12.1	11.3	12.9	16.0
ROE (%)	19.4	15.3	14.6	16.7	20.0
ROCE (%)	23.2	17.4	18.3	20.1	23.0
W.C & Liquidity					
Receivables (days)	14.0	22.4	29.3	29.3	29.3
Inventory (days)	74.9	83.1	87.7	87.7	87.7
Payables (days)	77.2	103.7	115.2	115.2	115.2
Current ratio (x)	0.6	1.0	1.2	1.8	2.3
Quick ratio (x)	0.2	0.5	0.6	1.1	1.7
Turnover & Leverage					
Gross asset T.O (x)	6.5	3.0	2.9	2.8	2.7
Total asset T.O (x)	1.0	0.9	1.0	1.0	1.0
Int. covge. ratio (x)	7.8	11.9	18.7	27.3	46.4
Adj. debt/equity (x)	0.1	0.2	0.1	0.1	0.0
Valuation					
EV/Sales (x)	9.1	9.3	6.5	4.4	4.0
EV/EBITDA (x)	30.5	32.8	24.1	16.0	13.7
P/E (x)	67.7	76.0	56.3	35.6	26.4
P/BV (x)	13.1	11.6	8.5	6.0	5.3

Recommendation Summary



Source: Bloomberg, Geojit Research

Dates	Rating	Target
30-Aug-2019	HOLD	312

Investment Rating Criteria

Large Cap Stocks;			Mid Cap and Small Cap;		
Buy	-	Upside is above 10%.	Buy	-	Upside is above 15%.
Hold	-	Upside is between 0%- 10%.	Accumulate	-	Upside is between 10% - 15%.
Reduce	-	Downside is more than 0%.	Hold	-	Upside is between 0% - 10%.
Neutral	-	Not Applicable	Reduce/Sell	-	Downside is more than 0%.
			Neutral	-	Not Applicable

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