

EMAMI LTD.

Buy at CMP: Rs 800 | Target: Rs 928 (16%) | SL: Rs 730

Sector

JUL 22, 2024

FMCG

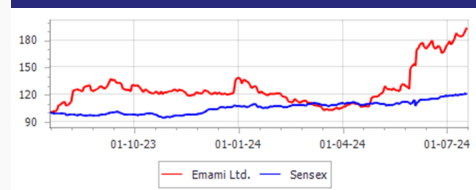
Script Details

BSE Group	A
BSE Code	531162
NSE Code	EMAMILTD
Bloomberg Code	HMN IN
Market Cap (INR Cr.)	34,896
Free Float (%)	45.2%
52wk Low/High	813/413
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	1/1
Total paid Up Shares (Mn.)	436.5

Share Holding Pattern (%)

Promoters	Public	Others
54.8%	45.2%	-

Share Price Relative Performance



Emami Limited is a leading Indian FMCG company known for its extensive range of personal care and healthcare products, including brands like Boro Plus, Navratna, and Kesh King. With a strong presence across SAARC, MENAP, SEA, Africa, Eastern Europe, and CIS countries, Emami offers numerous ayurvedic-based products globally.

Investment Rationale

- ◆ **Established brands in ayurvedic and herbal personal care segments with strong market shares:** Emami markets over 450 widely accepted ayurvedic, herbal, cosmetic, personal, and health care products, including oil, talc, cream, balm, medicines, and cosmetics. These products are sold in India and over 70 countries, reaching 4.9 million retail outlets. Key products like Boroplus Anti-septic Cream, Navratna Cool Oil, Zandu Balm, Mentho Plus Balm, Fair and Handsome, and Kesh King Oil hold significant market shares and are expected to contribute robustly to future revenues. All seven brand segments of EL grew in FY23 compared to FY22, except for healthcare and pain management, which declined due to reduced COVID-19 demand. The company added 'Dermicool' to its product lineup in March 2022.
- ◆ **Strategic Investments and Cost Management to Drive 28%-30% Margins:** The company has provided guidance indicating that investments in core brands and increased contributions from new product development (NPD) will boost revenues in the medium term. Despite elevated advertising and promotion (A&P) expenditures, management remains confident in achieving operating margins of 28%-30%. This will be driven by lower raw material costs, judicious price increases, an improved product mix, and entry into high-margin adjacent markets.
- ◆ **Business is expected to gradually improve on the back of improve rural sentiment, lower inflation and other factors:** Emami's management is optimistic about demand momentum this quarter, driven by a strong summer portfolio and positive rural consumer sentiment. Factors contributing to this include lower food inflation, anticipation of a normal monsoon, improved MSPs for the Kharif season, and increased rural infrastructure investment and job creation by the private sector under PLI and Atmanirbhar initiatives. Urban growth remains strong, with modern trade and e-commerce channels contributing around 25% of sales. Despite restricted weddings affecting spending on male grooming, hair oil, and healthcare, D2C brands TMC and Brillare are performing well. Emami aims for high single-digit volume growth in its core portfolio by enhancing distribution through Project Khoj, innovating products, judicious pricing, strategic acquisitions, and reinvesting in brand-building activities.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 6%/19% and estimate ALL to clock PAT of Rs 810 Cr by FY27E. EL is trading at forward PE (x) of 43 and we value at 47(x) FY27E and Recommend BUY on Emami with Target Price of Rs. 928(16%) .

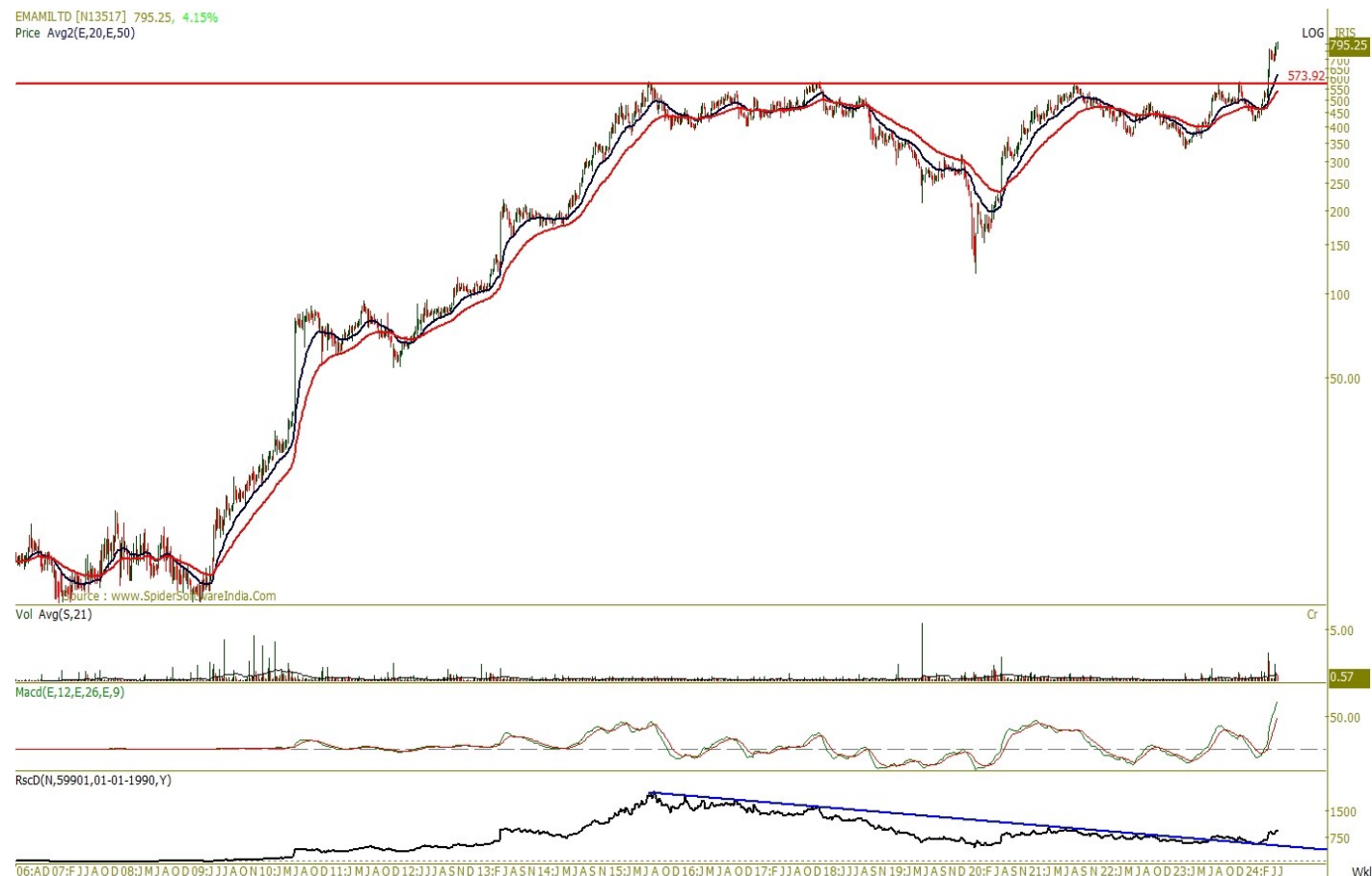
Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	3,578	950	724	48.2	34.9
FY25E	3,793	1,062	721	48.4	16.5
FY26E	4,020	1,126	764	45.7	15.6
FY27E	4,262	1,193	810	43.1	14.7

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- Emami Ltd has been a standout performer, exhibiting strong price development that suggests a continuation of its upward trajectory. On a monthly scale, the stock has broken through a significant resistance level established in 2015. This breakout indicates a robust bullish trend.
- On a weekly scale, Emami Ltd has consistently formed higher highs, reinforcing the trend continuation. The stock is also maintaining its position above key moving averages, such as the 12-week and 26-week averages. Additionally, the momentum indicator MACD is trending higher, which denotes a positive trend supported by bullish momentum.
- Furthermore, on the ratio chart of Emami Ltd against NIFTY, there was a notable reversal in April 2024 from a downward-sloping trendline. Since then, Emami Ltd has continued to outperform the broader market, showcasing its robust performance.
- Overall, the technical indicators and relative performance suggest that Emami Ltd is likely to maintain its positive momentum in the near future.
- Looking ahead, the stock appears poised for further gains, with a target price set at 950. To manage risks effectively, it is recommended to implement a stop loss at 730 on a closing basis.



- Inference & Expectations
- Considering these factors, it can be inferred that EMAMILTD stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 928 level.
- The stop loss must be at 730 level, strictly on the closing basis.

Invest Now 

Source: Tradingview.in, GEPL Research



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