

EMAMI LTD.

Industry
Bloomberg
BSE Code
NSE Code

Con. Staples
HMN IN
531162
EMAMILTD

03 August 2018

RATING	NEUTRAL
CMP	566
Price Target	596
Previous Target	596
Potential Upside	5%

Stock Info

52wk Range H/L	714/499
Mkt Capital (Rs Cr)	25713
Free float (%)	27%
Avg. Vol 1M (,000)	358
No. of Shares (Crore)	45
Promoters Pledged %	42%

Reported strong domestic volume growth while International business remained subdued

Key Highlights

- ✓ EMAMILTD's number for Q1FY19 remained mixed, sales for the quarter grew by 16% to Rs 614cr(vs our expectation of Rs 618 cr) while PAT growth was below than our expectation, grew to Rs 26 cr(vs our expectation of Rs 31 cr).
- ✓ Overall volume for this quarter grew by 16% led by bounce back of domestic volume which grew by 18% on a weak base(-18% in Q1FY18).
- ✓ Intranational business(IB) growth was subdued due to weaker performance of CIS countries. International business grew by 7% YoY in this quarter. Excluding CIS,IB grew by 21% led by better growth in SAARC and MENAP regions.
- ✓ Kesh King grew by 10% led by double digit volume growth and maintained leadership with the vol. market share of 27.5%.

1Q FY19 Result:

Consol. revenue grew by 16% (comparable 19%) YoY to Rs 614 cr led by strong domestic volume growth of 18%. Overall domestic business, CSD and IB grew by 21%,28% and 7% respectively. Brand wise sales were dominated by Pain Management range, Healthcare range, Navratna and 7 Oils in One oil which grew by 39%,28%,19% and 33% respectively while Boroplus declined by 15%. Zandu Pancharishta has shown early signs of revival and grew 19% YoY on the back of lower base. Gross margin improved by 5 bps YoY while EBITDA margin improved by 495 bps led by lower other, employee and A&P expense by 38,73 and 379 bps respectively. The company reported a PAT of Rs 26 cr vs Rs 1 cr in the Q1FY18.

View and Valuation

EMAMILTD has posted mixed set of numbers for Q1FY19, sales remained inline while PAT growth was blow than our expectation. Domestic volume grew by 18% on the back of lower base. International business grew by 7% much below than our expectation of 15%. Going forward, we expect better volume growth for the company led by coming back of wholesale, rural demand revival and growth in health care business (on the back of new launches). Better traction from Kesh King and company's cost efficiency measures may help in maintaining margin. But considering subdued International business and company's higher dependence on seasonality (60-70% of products is still dependent on seasonality), we are little cautious on the EMAMILTD. We continue to value this stock on 49 x of FY20e EPS and maintain previous target price of Rs 596. As there is little upside from here, we recommend Neutral.

Key Risks to our rating and target

- ♦ Abrupt increase in the prices of key raw material.
- ♦ Harsh weather condition (60-70% of products is still dependent on seasonality).

KEY FINANCIAL/VALUATIONS	FY16	FY17	FY18	FY19E	FY20E
Net Sales	2398	2533	2531	2906	3331
EBITDA	687	759	719	836	983
EBIT	432	451	409	507	658
PAT	364	340	306	393	548
EPS (Rs)	8	7	7	9	12
EPS growth (%)	-25%	-6%	-10%	28%	39%
ROE (%)	23%	19%	15%	18%	22%
ROCE (%)	19%	23%	17%	21%	25%
BV	36	39	44	48	54
P/B (X)	15	14	12	12	11
P/E (x)	64	75	78	65	47

Research Analyst

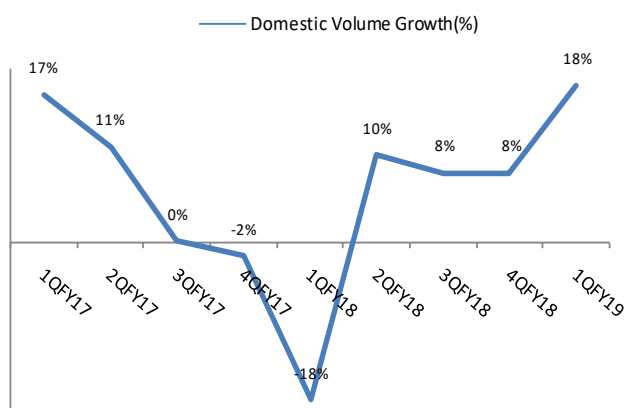
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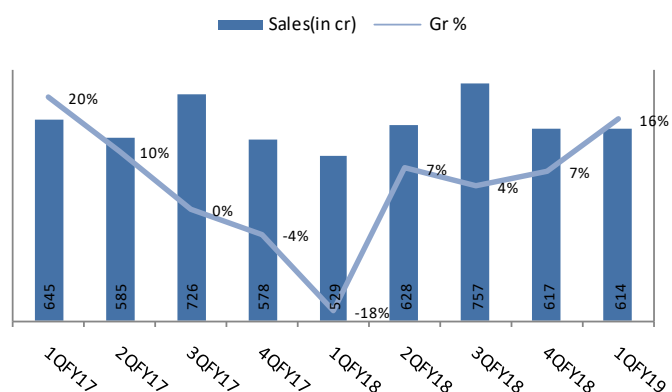
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Exhibit: Domestic FMCG Volume Growth

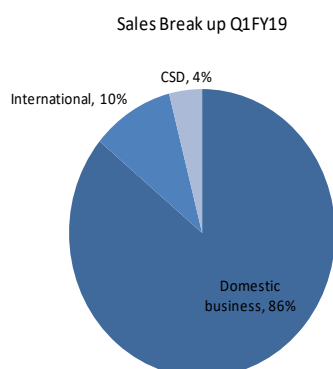
Domestic volume grew by 18% on a weak base(-18% in Q1FY18) led by gr. In Pain mgt., Healthcare & Navratna range.


Exhibit: Sales and Growth

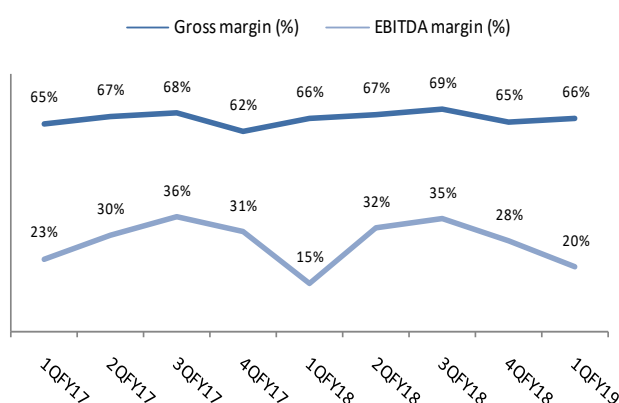
Consol. revenue grew by 16% (comparable 19%) YoY to Rs 614 cr led by strong domestic sales (21%) and CSD (28%).


Exhibit: Sales Break up

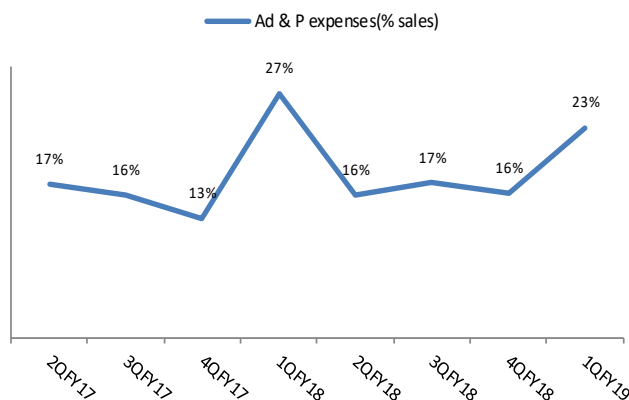
International business contribution declined by ~100 bps QoQ in Q1FY19.


Exhibit: Gross and EBITDA margin

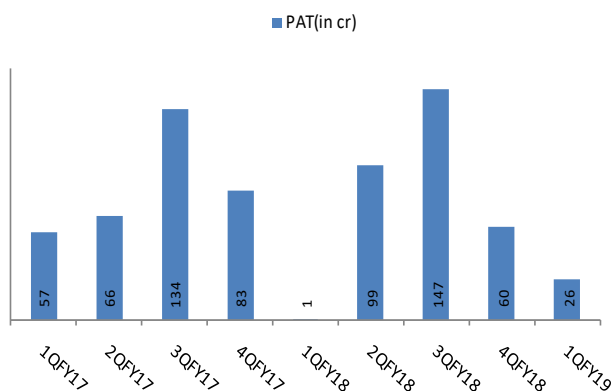
EBITDA margin improved by 495 bps led by lower other, employee and A&P expense.


Exhibit: A&P expenses

A&P expenses went down by 379 bps YoY in this quarter.


Exhibit: PAT (in cr)

The company reported a PAT of Rs 26 cr vs Rs 1 cr in the Q1FY18.



Financial Details

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	15	23	23	23	23	23	45	45
Reserves	762	909	1,208	1,589	1,732	1,991	2,149	2,401
Networth	777	932	1,231	1,612	1,755	2,014	2,194	2,447
Debt	86	22	19	671	173	326	253	178
Other Non Current Liab	21	22	41	46	80	73	73	73
Total Capital Employed	863	954	1,250	2,283	1,928	2,340	2,447	2,625
Net Fixed Assets (incl CWIP)	440	408	478	2,037	2,011	1,828	1,592	1,360
Non Current Investments	7	7	7	35	94	186	186	186
Other Non Current Assets	39	42	48	114	49	86	86	86
Non Current Assets	485	457	532	2,187	2,155	2,100	1,864	1,632
Inventory	114	141	127	151	179	194	223	255
Debtors	112	79	103	131	97	156	179	205
Cash & Bank	282	270	354	108	50	16	54	72
Other Current Assets	223	355	561	115	132	271	679	1,007
Current Assets	731	846	1,144	505	458	701	1,135	1,539
Creditors	102	143	193	249	185	242	278	319
Provisions	165	121	112	50	59	62	71	82
Other Current Liabilities	65	62	80	65	361	82	127	71
Curr Liabilities	332	326	385	363	605	388	478	474
Net Current Assets	399	519	759	142	(147)	313	657	1,065
Total Assets	1,216	1,302	1,676	2,692	2,613	2,801	2,999	3,171

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	1,699	1,821	2,217	2,398	2,533	2,531	2,906	3,331
Change (%)		7%	22%	8%	6%	0%	15%	15%
EBITDA	444	505	535	687	759	719	836	983
Change (%)			6%	28%	10%	-5%	16%	18%
Margin (%)	26%	28%	24%	29%	30%	28%	29%	30%
Depr & Amor.	124	96	34	255	309	311	329	325
EBIT	320	409	501	432	451	409	507	658
Int. & other fin. Cost	7	5	5	54	58	34	25	16
Other Income	56	62	96	44	31	20	15	43
EBT	369	466	592	423	424	394	497	685
Exp Item	-	(9)	-	-	-	-	-	-
Tax	54	55	107	60	84	86	104	137
Minority Int & P/L share of Ass.	(0)	(0)	(0)	(0)	(0)	-	-	-
Reported PAT	315	402	486	364	340	306	393	548
Adjusted PAT	315	410	486	364	340	306	393	548
Change (%)		30%	18%	-25%	-6%	-10%	28%	39%
Margin(%)	19%	23%	22%	15%	13%	12%	14%	16%

Financial Details

Key Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	40%	43%	39%	23%	19%	15%	18%	22%
ROCE	37%	43%	40%	19%	23%	17%	21%	25%
Asset Turnover	1.4	1.4	1.3	0.9	1.0	0.9	1.0	1.1
Debtor Days	24	16	17	20	14	22	22	22
Inv Days	24	28	21	23	26	28	28	28
Payable Days	22	29	32	38	27	35	35	35
Int Coverage	49	76	98	8	8	12	20	41
P/E	29	25	47	64	75	78	65	47
Price / Book Value	12	11	18	15	14	12	12	11
EV/EBITDA	20.0	28.8	41.8	34.3	33.4	33.1	30.7	26.1
FCF per Share	5.2	8.0	9.3	9.4	9.8	10.2	14.8	15.6
Div Yield	1%	2%	1%	0%	1%	1%	1%	1%

Cash Flow Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
PBT	369	466	592	423	424	394	497	685
(inc)/Dec in Working Capital	13	60	73	(56)	23	(61)	17	(87)
Non Cash Op Exp	28	41	31	263	314	311	329	325
Int Paid (+)	(31)	(38)	(52)	43	56	34	25	16
Tax Paid	(50)	(77)	(96)	(96)	(71)	(81)	(104)	(137)
others	(5)	(24)	(15)	(15)	(16)	(4)	-	-
CF from Op. Activities	323	428	534	562	730	588	764	802
(inc)/Dec in FA & CWIP	(85)	(65)	(110)	(1,816)	(285)	(124)	(92)	(93)
Free Cashflow	238	363	424	(1,255)	444	464	672	708
(Pur)/Sale of Inv	(78)	(138)	(284)	429	(76)	(186)	(387)	(303)
others	39	61	160	81	64	84	-	-
CF from Inv. Activities	(124)	(142)	(234)	(1,306)	(297)	(279)	(479)	(397)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	41	75	2	636	(198)	(668)	(73)	(75)
Int. Paid	7	5	(5)	(52)	(58)	(34)	(25)	(16)
Div Paid (inc tax)	(140)	(221)	(212)	(82)	(235)	(142)	(212)	(296)
others	-	-	-	-	(4)	-	-	-
CF from Fin. Activities	48	80	(215)	502	(496)	(324)	(311)	(387)
Inc(Dec) in Cash	247	367	81	(249)	(72)	(12)	(25)	18
Add: Opening Balance	276	281	268	350	101	28	80	54
Closing Balance	523	647	350	101	28	16	54	72

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