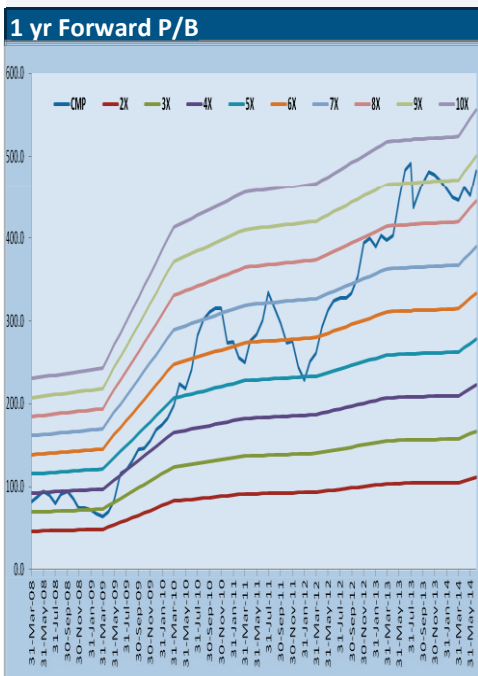


Results update	BUY
CMP	609
Target Price	635
Previous Target Price	590
Upside	4%
Change from Previous	8%

Market Data	
BSE Code	531162
NSE Symbol	EMAMI
52wk Range H/L	615/393
Mkt Capital (Rs Crores)	13831
Average Daily Volume	37072
Nifty	7874

Stock Performance	1M	1yr	YTD
Absolute	12.9	37.4	20.8
Rel. to Nifty	9.6	0.3	15.7

Share Holding Pattern-%	Current	4QFY14	3QFY14
Promoters	72.74	72.74	72.74
FII	16.77	15.98	16.69
DII	1.33	1.78	2.02
Others	9.16	9.5	8.55



Beats the Street and expecting better day ahead:

After a several quarters, Emami Ltd reported healthy growth than street expectation. Revenue grew by 25.6% (YoY) led by strong sales growth in domestic and International business at 28% and 104.4%(low base) on YoY basis. Strong recovery in domestic business was led by 13%(YoY) volume growth and 11-12%(YoY) pricing growth. Volume growth was highest in past 15 quarters.

During the quarter, despite higher inflationary pressure on input cost, PAT grew by 16.7%(YoY) due to rise in revenue and low depreciation.

Emami Ltd's aggression on product expansion and strategy to strengthen its presence significantly in the niche segments reflects healthy earning visibility in near future. The Company targets to report 18-20% revenue growth (Including She brand it can grow above 20%) in current year.

Margin Expansion: During the quarter, EBITDA Margin inched up at 15.6% and PAT margin marginally decline by 80bps(YoY) to 14.5%. Even, depreciation was reported at Rs 4.4cr during the quarter against the Rs 31.2cr (1QFY15). Management expects to see EBITDA margin of 21% for next 2-3 yrs.

Except Boroplus, all segment reported healthy growth: The value of Navratna oil grew by 14%, Navratna talc grew by 29%, balm by 13% and Fair and Handsome by 14%. Boroplus saw decline of 16% in value. Zandu Pancharishta grew by 67% on YoY basis. **On pricing front, Fair and Handsome saw price hike of 14%. Balm saw price hike of 5%. Navratna talc had price hike of 15%. Fair and Handsome category has not grown in Q1. Navratna oil volume grew by 13%.**

Navratna oil gain marketshare by 252 bps YoY to 61.3%. Fair and Handsome market share is around 62.9% and Boroplus at 77%. Balm market share is at 60.3%.

Aggressive Products expansion: In the last 3-4 months, it introduced 'He' deodorants, Zandu Ultra Power balm, Emami 7-Oils-in-One hair oil, Fair & Handsome face wash and Boroplus Anti-Pollution face wash. The mgmt indicated introducing 7-8 products in the next 3-4 quarter and expected that new launches would contribute 4-5% to sales in FY15E.

Distribution Reach: The Company, which gets majority of its rural revenues from Uttar Pradesh, Bihar and West Bengal, is looking beyond these markets for its future growth. expects to add 75000(FY15E) and 100000(FY16E).

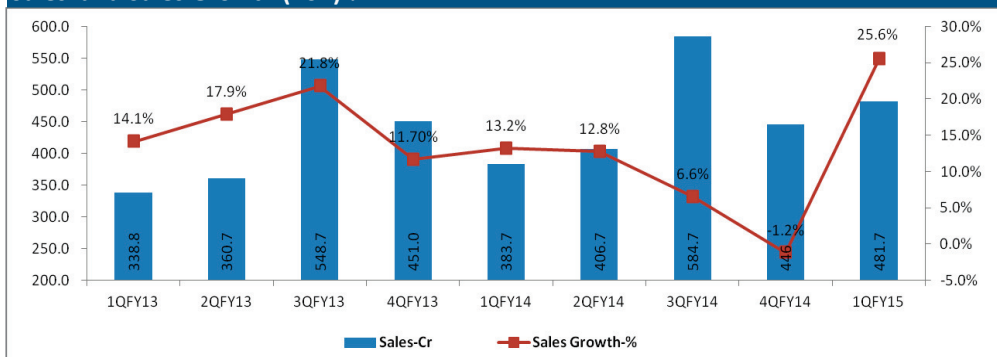
View and Valuation: Considering Emami's focus on increasing rural penetration, effective cost management, continuous strengthening of its brand equity and new product funnel strongly in next 2- 3 years reveals strong growth potential. **The company's efforts are continue to strengthen its market share in most of the categories it is present, we are positive on the stock. We retain "Buy" view on the stock with a target price of Rs 635(Revised from Rs590). At a CMP of Rs 609, the stock is trading at P/BV of 11.8x on FY15E.**

Financials	Rs, Cr				
	1QFY15	4QFY14	(QoQ)-%	1QFY14	(YoY)-%
Revenue	481.7	445.7	8.1%	383.7	25.5%
EBITDA	75	118	-36.4%	59.2	26.7%
PAT	70.8	111.1	-36.3%	60.7	16.6%
EBITDA Margin	15.6%	26.5%	(1110bps)	15.4%	20bps
PAT Margin	14.7%	24.9%	(1020bps)	15.8%	(80bps)

(Source: Company/Eastwind)

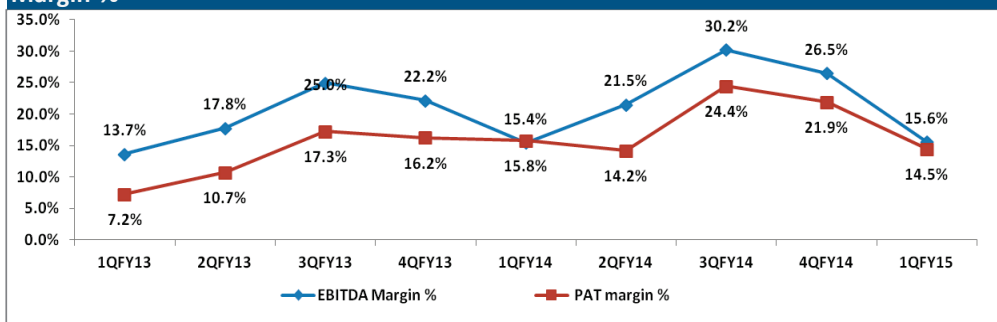
Emami Ltd

Sales and Sales Growth (YoY)-%



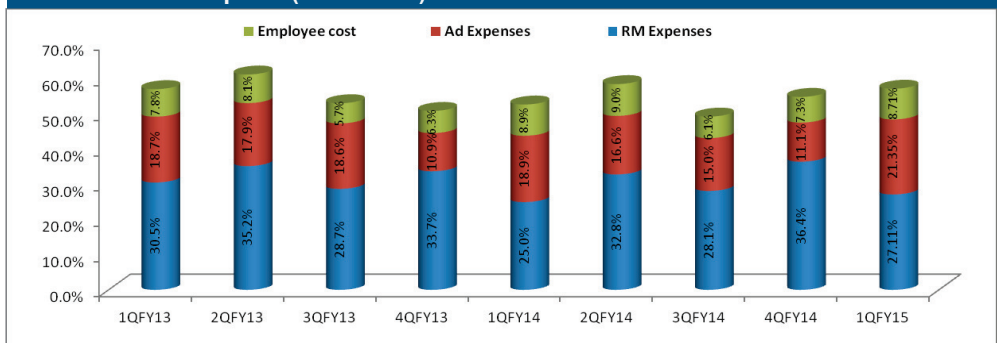
(Source: Company/Eastwind)

Margin-%



(Source: Company/Eastwind)

RM Cost and Ad Spend-(% of sales)



(Source: Company/Eastwind)

She Comfort; an opportunity to growth: Emami has acquired She Comfort, a sanitary napkin brand, from the Mumbai based products Royal Hygiene Care Pvt Ltd. This marks the company's entry into the feminine hygiene space. Sanitary market size is around Rs 2100 crore presently and growing at rate of 19% annually. Comfort has a market share of 2-3% and spreading its wing through product segmentations and expansion of distribution reach. The brand will generate revenue from August.

To sell UK business: The company plans to liquidate subsidiary, Emami UK as it plans to focus on the emerging markets. Financial impact of the sell-off will be negligible.

The company has maintained its guidance of achieving around 18%-20% revenue growth for FY15E.

The management expects EBITDA margin of 21% for next 2-3 yrs.

The Company will spend little more on Ad spend in coming quarters, the management expects it to go up from 16% to 19% in FY15E%.

Emami Ltd

Key facts from Conference Call

- The Company expects sales growth at 18-20% for FY15E . Including She brand it can grow above 20%.
- The management expects international business to grow by 25-30% in FY15E.
- The management expects EBIDTA margin of 21% for next 2-3 yrs.
- The Company Plans to launch 7-8 new products in FY15E, and expected that new launches would contribute 4-5% to sales in FY15E.
- Ad Spend, the management expects it to go up from 16% to 19% in FY15E.
- International business contribution to top-line is around 13%. It is expected to grow to 15-16% in 3 yrs and 18-19% in 5 yrs, as per management.
- Tax rate for FY15 will be 20%. The capex for FY15 is around 150-200 crore.

Financials

Rs in Cr,	FY10	FY11	FY12	FY13	FY14	FY15E	FY16E
Sales	1037.98	1247.08	1453.51	1699.09	1820.77	2182.1	2526.9
Raw Materials Cost	380.53	346.76	415.12	539.83	555.9	654.6	770.7
Purchases of stock-in-trade	0	204.9	189.13	182.14	150.0	152.7	189.5
WIP	0	-28.48	22.17	-6.52	-25.6	-15.3	-17.7
Employee Cost	57.91	72.87	92.31	115.55	139.0	170.2	197.1
Advertisement and Publicity	194.42	219.41	228.99	279	277.4	392.8	442.2
Other expenses	158.66	178.17	209.02	241.82	282.8	305.5	366.4
Total expenses	791.52	993.63	1156.74	1351.82	1379.5	1660.6	1948.3
EBITDA	246.46	253.45	296.77	347.27	441.3	521.5	578.7
Depreciation and Amortisation	117.52	116.09	120.89	124	96.2	76.4	101.1
Other Income	7	33.1	54.12	56	62.2	87.3	101.1
Exceptional Items	89.97	113.9	84.15	96	55.2	65.5	75.8
EBIT	128.94	137.36	175.88	223.2	345.2	445.1	477.6
Interest	20.98	15.23	15.21	6.6	5.4	4.0	3.0
PBT	204.93	269.13	298.94	368.69	457.2	593.9	651.5
Tax Exp	35.21	40.41	40.12	54	54.7	118.8	130.3
PAT	169.72	228.72	258.82	314.68	402.5	475.1	521.2
Growth-% (YoY)							
Sales	35.5%	20.1%	16.6%	16.9%	7.2%	19.8%	15.8%
EBITDA	91.0%	2.8%	17.1%	17.0%	27.1%	18.2%	11.0%
PAT	85.0%	34.8%	13.2%	21.6%	27.9%	18.0%	9.7%
Expenses on Sales-%							
RM Cost	36.7%	27.8%	28.6%	31.8%	30.5%	30.0%	30.5%
Ad Spend	18.7%	17.6%	15.8%	16.4%	15.2%	18.0%	17.5%
Employee Cost	5.6%	5.8%	6.4%	6.8%	7.6%	7.8%	7.8%
Other expenses	15.3%	14.3%	14.4%	14.2%	15.5%	14.0%	14.5%
Tax rate	17.2%	15.0%	13.4%	14.6%	12.0%	20.0%	20.0%
Margin-%							
EBITDA	23.7%	20.3%	20.4%	20.4%	24.2%	23.9%	22.9%
EBIT	12.4%	11.0%	12.1%	13.1%	19.0%	20.4%	18.9%
PAT	16.4%	18.3%	17.8%	18.5%	22.1%	21.8%	20.6%
Valuation:							
CMP	197.7	249.4	260.8	397.4	435.0	609.0	609.0
No of Share	15.13	15.13	15.13	15	22.7	22.7	22.7
NW	625.4	689.9	706.6	777.5	932.1	1168.2	1450.4
EPS	11.2	15.1	17.1	20.8	17.7	20.9	23.0
BVPS	41.3	45.6	46.7	51.4	41.1	51.5	63.9
RoE-%	27.1%	33.2%	36.6%	40.5%	43.2%	40.7%	35.9%
Dividend payout-%	23.4%	23.2%	23.8%	44.6%	55.0%	50.3%	45.9%
P/BV	4.8	5.5	5.6	7.7	10.6	11.8	9.5
P/E	17.6	16.5	15.2	19.1	24.5	29.1	26.5

(Source: Company/Eastwind)