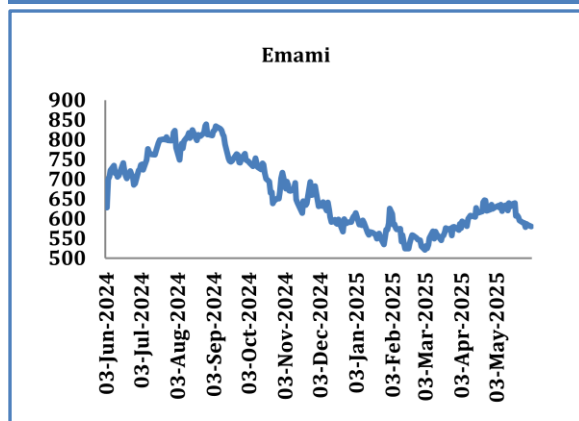


EMAMI LTD	
Industry	FMCG
No. of Shares (Crore)	43.65
Face value (Rs.)	1.00
Mkt. Cap (Rs. Crore)	25,304.18
Price (03/06/2025)	576.30
Book Value (Rs)	61.74
P/BV	9.33
BSE Code	531162
NSE Code	EMAMILTD
Bloomberg	HMN IN
Reuters	EMAM.BO
Avg. Weekly Volume (NSE)	3,72,310
52 W H/L (Rs)	859.20 / 509.25
Shareholding Pattern	%
Indian Promoters	54.84
Institutions	35.78
Non- Institutions	9.38
Total	100.00
(As on March 31, 2025)	
Recommendation	
BUY	



Company Background

➤ Emami Ltd (Emami) is one of the leading FMCG companies that manufactures and markets personal care and healthcare products. With over 550 diverse products, the company's portfolio includes brands such as Navratna, Boroplus, Fair & Handsome, Zandu Balm, Mentho Plus, and Kesh King.

Investment Rationale

➤ Strategic acquisitions in the past have paid rich dividends to Emami. With the acquisition of Kesh King in 2015, Emami has forayed into the ayurvedic hair, acquisition of German brand Crème 21 in 2019 which is a skin cream and Dermicool in 2022 made Emami foray in the prickly heat and cool tac segments.

➤ Emami has a wide distribution reach in over 5.4 million retail outlets through over 3,400 distributors. The company has a strong international presence in over 70 countries, including SAARC, MENAP, SEA (South East Asia), Africa, Eastern Europe, and CIS (Commonwealth of Independent) countries.

➤ Emami has a strong brand portfolio, largely catering to low-penetrated categories in the domestic market. However, most of these are prone to seasonal vagaries, affecting growth in the domestic business. Emami has taken various initiatives for key categories to improve its growth prospects.

➤ The appointment of a separate sales head, international business head, and healthcare segment head recently gives an indication that Emami is now getting its focus back on improving the growth prospects of its consumer business.

➤ In FY25, Emami posted high single-digit revenue growth in core categories led by mid-single-digit volume growth. The company has a strong brand portfolio and its sustained focus on product launches, distribution expansion, scale-up of emerging channels, strong pipeline of D2C brands, growth in international business, and better penetration will help improve growth prospects in the medium term.

➤ While rural markets continued to perform well, mass urban demand remained subdued. Emami expects a gradual pick-up in consumption in Q1FY26 driven by expectations of good monsoon, moderation in urban inflation and government impetus to aid volume recovery.

➤ Emami has enhanced thrust on its urban market positioning, where focus is to make the portfolio relevant with modernized offerings and addressing nascent consumer needs better.

➤ With sustained input cost inflation, most FMCG companies are likely to undertake further price hikes in Q1FY26. Hence, significant improvement in volume growth could be seen in H2FY26 in a stable demand environment.

Recommendation

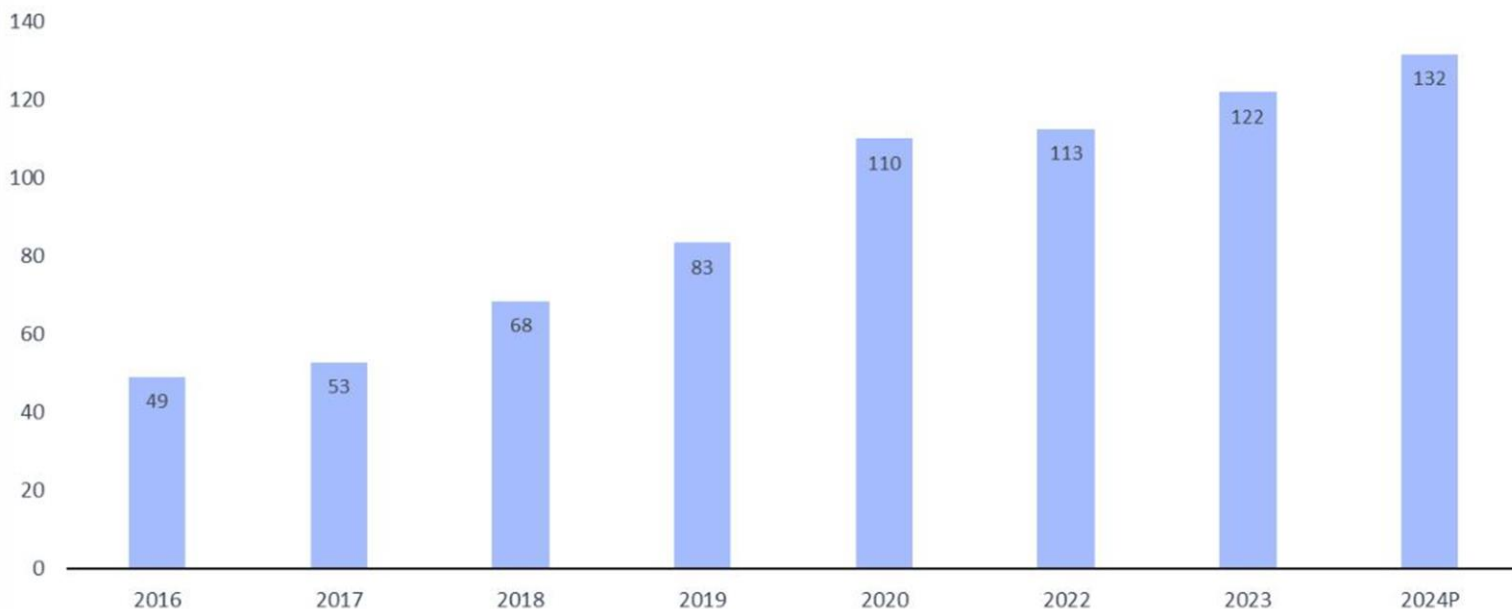
Emami is well positioned to ride the recovery in the FMCG space with inflation cooling off and expectations of an above normal monsoon. With price hikes in the coming months, the operating margins are expected to improve. A strong brand portfolio, distribution expansion, higher investment in brands, continued new product launches and recovery in rural markets is expected to aid in reporting healthy volume growth and numbers in the time to come. Emami's strategic acquisitions have paid off rich dividends to its overall operations. We would recommend a BUY with a target price of Rs 708 in the next 12-15 months, thus implying a rise of 23% from the current levels.

Particulars (In Rs. Crs)	Q4FY25	Q4FY24	Var%	FY25	FY24	Var%
Net Sales	963.05	891.24	8.06	3,809.19	3,578.09	6.46
PBIDT (Excluding OI)	219.44	210.98	4.01	1,025.11	949.53	7.96
Net Profit	162.17	148.90	8.91	806.46	723.53	11.46
PBIDTM% (Excluding OI)	22.79	23.67	-3.72	26.91	26.54	1.39
PATM%	16.90	16.64	1.56	21.38	20.34	5.11
Equity	43.65	43.65	-	43.65	43.65	-
EPS (Rs.)	3.72	3.41	9.09	18.48	16.55	11.46

*Source: Comnav. Ace Equity. AUM Research

Sector Overview

Consistent Growth in FMCG Revenue (US\$ Billion)



*Source:, AUM Research

Key Growth Drivers:-

- 1) Rising Disposable Incomes:-** As more Indians experience economic progress, they have greater spending power, leading to increased demand for FMCG products, especially in rural areas.
- 2) Rural Demand Recovery:-** Good harvests, government spending, and increased rural connectivity are boosting demand for FMCG products in rural India, contributing to overall sector growth.
- 3) E-commerce Growth:-** The rise of e-commerce platforms has made it easier for consumers to access a wider variety of FMCG products online, further driving sales.
- 4) Government Policies:-** Government initiatives focused on rural development, MSME support, and increased consumer spending are creating a favorable environment for FMCG growth.
- 5) Digital Transformation:-** FMCG companies are increasingly embracing digital marketing and direct-to-consumer (DTC) models to reach a wider audience and improve efficiency.

Specific Segment Growth:-

- 1) Packaged Food:-** The packaged food segment is expected to double in size, reaching US\$70 billion in the coming years.
- 2) Digital Advertising:-** The FMCG industry is a significant contributor to the growth of digital advertising, with a 42% share of the total digital spend.

Other Key Factors:-

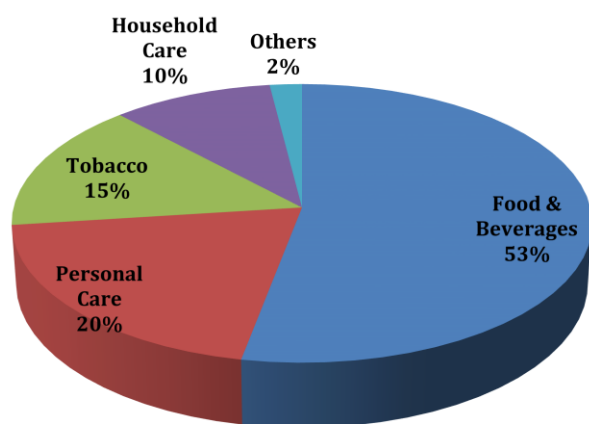
- 1) Supply Chain:-** Ensuring a reliable and efficient supply chain is crucial for meeting the increasing demand and maintaining profitability.
- 2) Competition:-** The FMCG market is competitive, requiring companies to differentiate their products and services effectively.
- 3) Emerging Markets:-** Tier-2 and tier-3 cities offer significant opportunities for expanding distribution networks and reaching a larger consumer base.

Market Segmentation:-

The FMCG market in India can be segmented based on various factors, including:-

- 1) **Product Category:** Food and beverages, household and personal care, healthcare, etc.
- 2) **Distribution Channel:** Modern trade, traditional trade, e-commerce, etc.
- 3) **Geographic Location:** Urban, rural, semi-urban, etc.
- 4) **Income Level:** Low-income, middle-income, high-income, etc.

Indian FMCG Market Segment



*Source:, AUM Research

Future Outlook

- The FMCG sector in India is expected to continue its growth trajectory, driven by increasing disposable incomes, changing lifestyles, and the increasing adoption of e-commerce platforms. The sector is also expected to become more sustainable and responsive to the changing consumer preferences and environmental concerns.
- The Indian government has been taking several steps to support the growth of the FMCG industry. The fast-moving consumer goods industry is a key pillar of the Indian economy. With its strong growth prospects, resilient nature, and ability to touch the lives of millions, the FMCG sector is poised for an above average growth.
- In the past, popular goods for online purchase were related to travel, entertainment, or durable goods, such as fashion and electronics. However, the online market for groceries and other consumable products is growing as companies redefine delivery logistics efficiency and shorten delivery times. Thus, the FMCG industry has been significantly influenced by the rapid growth of ecommerce and evolving consumer habits.
- While non-consumable categories will likely continue to lead consumable products in sheer volume for online shopping, efficiency gains in logistics have increased the use of ecommerce channels to buy FMCGs. The continuing rise in online shopping has prompted FMCG companies to invest heavily in their digital presence, including developing user-friendly websites, mobile apps, and partnerships with leading ecommerce platforms. FMCG companies have also had to rethink their supply chain and logistics networks to ensure prompt delivery of products to consumers via the main online retailers.

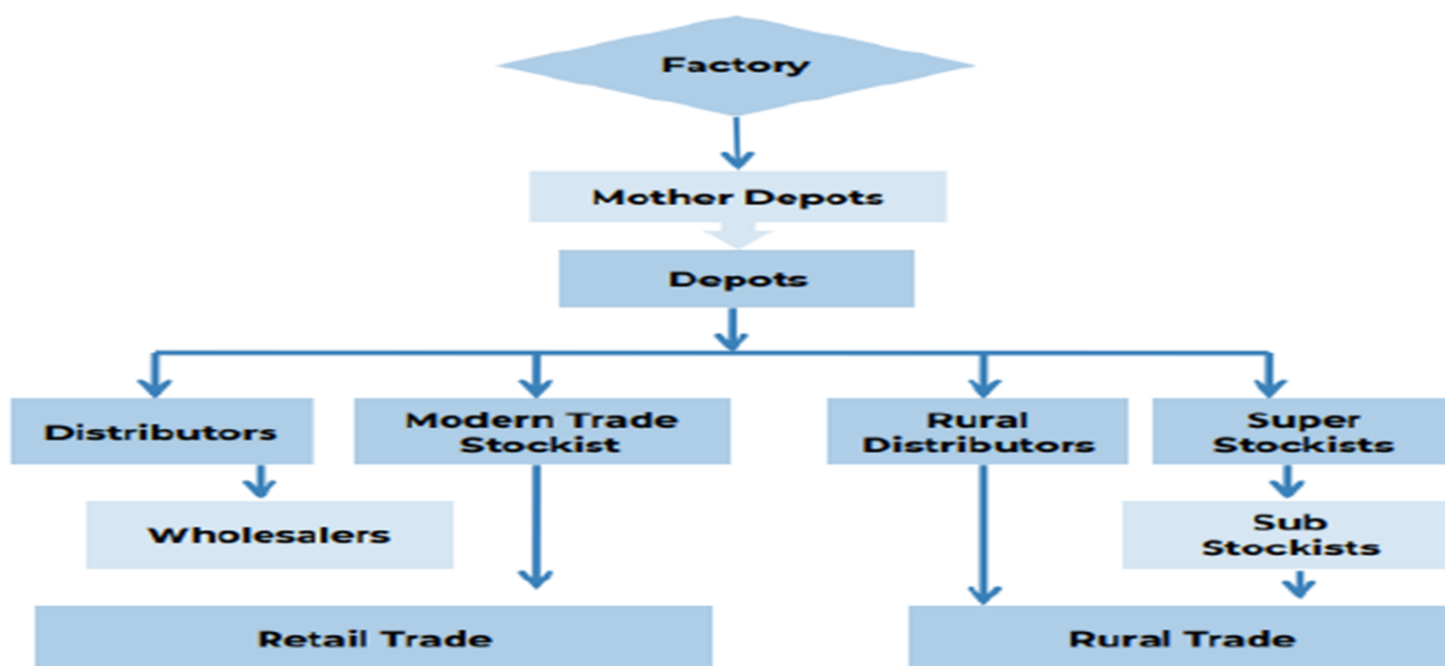
Company Overview

- With over 550 diverse products, Emami's portfolio includes trusted power brands like Navratna, BoroPlus, Smart & Handsome, Zandu Balm, Mentho Plus and Kesh King.
- After a successful takeover of Zandu Pharmaceuticals Works Ltd in 2008, in 2015, the Company acquired the business of 'Kesh King' and forayed into the Ayurvedic hair & scalp care segment. Emami, following the acquisition of Creme 21, a German brand with strong roots and brand recall in 2019, went on to acquire 'Dermicool', one of the leading Prickly Heat and Cool Talc brands of India in 2022.
- Emami products are available in over 5.4 million retail outlets across India through its network of 3400+ distributors and its global footprint spans over 70 countries including SAARC, MENAP, SEA, Africa, Eastern Europe and the CIS countries.

Major Products

- 1) **Boroplus-** It is a flagship product of Emami, boasts a significant market share in the antiseptic cream category in India. Boroplus holds a market share of around 68% in volumes, making it a dominant player.
- 2) **Prickly Heat Powder-** Emami's market share in the prickly heat powder category is approximately 45-47%, with its brand Navratna and the acquired Dermicool brand combined. The Dermicool acquisition, which Emami completed in 2022, significantly boosted its presence in this market. Prior to the acquisition, Emami's own Navratna Cool Talc had a considerable market share, and the Dermicool acquisition helped solidify their position as a leader. The market is estimated to be worth around Rs 750-800 Cr.
- 3) **Chawanprash-** Emami's market share in the Chyawanprash segment is generally reported to be between 13% and 22%. The market for Chyawanprash is estimated to be around Rs 400 crore, with the segment experiencing consistent growth. Emami primarily competes with Dabur and Baidyanath in this market.
- 4) **Navratna Oil-** Emami's Navratna Oil holds a strong market position, being a leading brand in the cool oil category. It is estimated to be having a market share of 67%. With a presence in over 48 lakh outlets across India. The brand is also available on major e-commerce platforms.
- 5) **Zandu-** Emami's Zandu brand holds a significant market share in the pain relief balm category, with Zandu Balm having a 45% market share. Emami acquired Zandu Pharmaceuticals in 2008 and has continued to invest in its growth. Zandu & Mentho Plus balms have a combined market share of 55% in the balm category.

Emami's supply chain network



*Source: Company, AUM Research

Rationale for Investment

1) Improvement in the FMCG Sector as a whole

- **Expectation of a good monsoon and low inflationary levels:-** A gradual uptick in volume growth on low base from Q1/Q2FY26 driven by expectations of good monsoon, moderation in urban inflation and government impetus is expected to aid a volume recovery.
- **Rural segment:-** Roughly 65% of the population lives in rural areas, with a majority dependent on agriculture. A good monsoon, particularly for the kharif crop cycle, translates into improved farm incomes, setting off a chain reaction of increased consumption. Rural volumes have already begun to recover, outperforming urban markets over the past few quarters, helped by successive years of adequate rainfall and continuing allocations to welfare schemes. Higher minimum support prices for crops are also adding to rural spending power.
- **Recovery in urban demand:-** Urban demand had faltered through much of the last fiscal, battered by high food inflation, elevated interest rates, and stagnating wages. Personal care items and certain food and beverage segments bore the brunt of this downturn. But the tide appears to be turning, with early signs of urban recovery emerging alongside broader economic stabilisation.

2) Focus on effectiveness and efficiency

- **Ability to manufacture premium products:-** In an increasingly competitive world, there is a premium in manufacturing right. Emami has the capacity to manufacture around the highest yield, utilise reusable and renewable resources, manufacture in line with global certifications related to infrastructure, processes and materials and do all this around the lowest cost.
- **Superior manufacturing processes:-** Emami's manufacturing process has been designed to enhance process efficiency and desired product quality, the basis of the Company's competitiveness. There is a premium on manufacturing competence, given the fact that the Company exercises a direct control across 6 production facilities and an indirect influence across multiple outsourcing facilities.
- **New launches and rebranding strategy:-** Emami launched over 25 new products in domestic business, including 11 new launches in Zanducare in FY25. It also rebranded its flagship product Fair and Handsome to Smart and Handsome in Jan-25.
- **Good performance in testing times:-** In FY25, BoroPlus and Navratna & Dermicool range posted 27% and 16% y-o-y growth, respectively. Its International business grew 5% (in Constant Currency terms)/6% (rupee terms) in Q4FY25 despite geopolitical volatility across Bangladesh, the Middle East and parts of Africa. In FY25, Emami posted high single-digit revenue growth in core categories led by mid-single-digit volume growth. It has a strong brand portfolio and its sustained focus on product launches, distribution expansion, scale-up of emerging channels, strong pipeline of D2C brands, growth in international business, and better penetration will help improve growth prospects in the medium term.
- **Strategy going forward:-** Distribution expansion, higher investment in brands, continued new product launches and recovery in rural markets is expected aid revenue growth in FY26, while a rise in OPM will likely be driven by expansion in gross margins due to the softening of input prices, price hikes and cost reduction initiatives.

3) Streamlining of operations

- **Ability to tackle operational challenges:-** Emami's diverse portfolio spans categories, raising operational challenges. These have been addressed through sophisticated strategies to enhance efficiency. The Company's streamlined hierarchies facilitate timely decision-making and adaptability to dynamic markets.
- **Effective raw material management strategy:-** Raw material management is a critical aspect of Emami's supply chain that ensures the sustainable, efficient and cost-effective procurement required for production. This involves strategic sourcing from reliable suppliers, maintaining optimal inventory levels to prevent stockouts or overstocking, and implementing robust quality control measures to ensure the consistency and safety of inputs. This not only supports uninterrupted manufacturing processes but also enhances operational efficiency, reducing waste, and contributing to the overall profitability. By leveraging technology and data analytics, Emami has optimised its raw materials management to adapt to market demands and regulatory requirements, ensuring a steady supply of quality products to consumers.

4) Focus on discretionary products in future:-

- **Change in consumer preference post Covid-19:-** Emami plans to drive improved marketing campaigns, focusing on a better return on investment, considering the fact that consumer shifts are also happening post Covid-19. Post COVID consumers have reduced spends on health supplements, immunity products, etc. Considering these facts, Emami is focusing on other categories besides health supplements which can drive incremental volume, market share gain and overall growth through New Product Developments (NPD).
- **Focus on healthcare portfolio:-** In FY25, Emami's Healthcare portfolio grew 13% YoY. It was led by three, four categories. One was the D2C portfolio Zanducare, which had a growth of nearly 50%, and it was led both by new product launches and various initiatives led by crude marketing, better return on investments in the marketing space, and also more aggressive claims in terms of its product benefits and efficacy. Brands like Nityam and Cough syrup also grew in double digits. Emami plans to focus on the Medico business by way of improved doctor connect, Medico marketing, and also reaching out to more A-class doctors, and focusing on certain therapies.

5) Good turnaround story post 2020

- **FY16-FY20:-** Emami has reported a mid-single digit over 2016-2020. The macro setting has been weak for the rural consumer. Demonetization followed by GST implementation has affected the indirect route to market which was driven by wholesale channel partners. Emami has historically been highly contingent on the wholesale network — at ~60%, which has now reduced to ~35%.
- **Turnaround strategy:-** Emami tied up multiple loose ends: a) reduced dependence on the wholesale channel by penetrating deep into Rural (Project Khoj aided village access); b) enhanced new-launch intensity; c) roped-in McKinsey for distribution and international business; d) addressed Kesh King business issues with help from BCG; e) AT Kearney helped in Company's cost reduction project; and f) covered portfolio gaps well, to address demand in modern retail channels.

6) Global presence

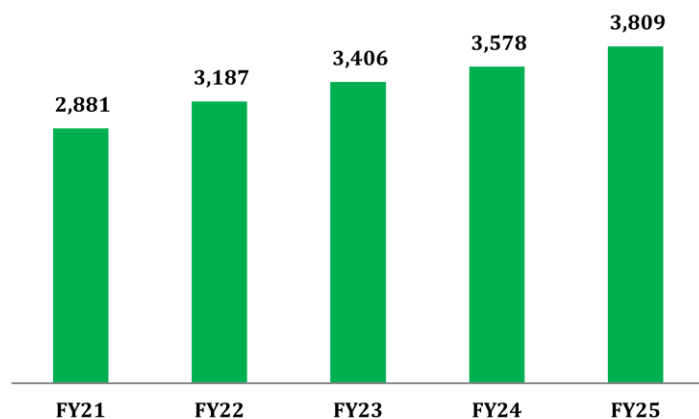
- **Expansion of footprint outside India:-** Emami's International Business Division has expanded its footprint across multiple continents, bringing its diverse portfolio of high-quality, innovative products to millions of consumers worldwide with its ability to adapt products to local preferences. The growth is driven by strategic market expansion, product innovation, and in-depth analysis of consumer with an ever-growing presence among over 70 countries across the globe. It now contributes almost 20% of its total revenues.
- **Strategy going forward:-** Emami aims to continue its upward trajectory by further expanding into emerging markets, enhancing digital presence, and deepening its commitment to innovative products internationally.

550 + Products	20 + Brands	Rs 3809 Cr Turnover in FY '25	100% Debt Free Company
3400 + Distributors	5.4 million Retail Outlet Reach	70+ countries including SAARC, MENAP, SEA, Africa, Eastern Europe & CIS	6.9 Cr Households Buying Emami's Products in India
145 + Products Sold Per Second Globally	5 Manufacturing Units In India	3300 + Employees	20% of Domestic Core Net sales from LUPs
Rs 744 Cr Net Cash (as on 31st March 2025)	26.9% EBIDTA Margin (FY25)	10 Brands delivering revenues of >Rs 100 Cr	

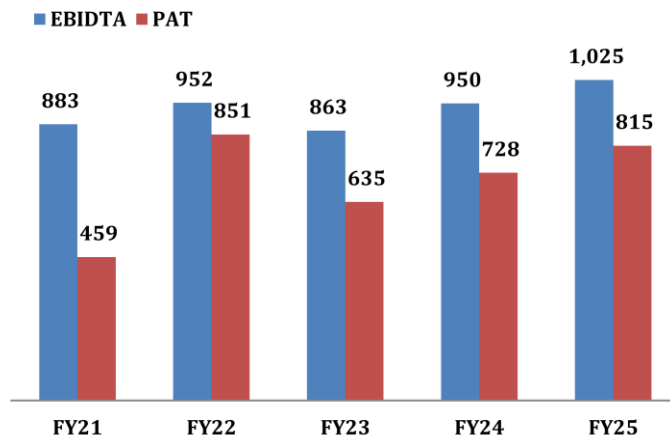
*Source: Company, AUM Research

Financial Overview

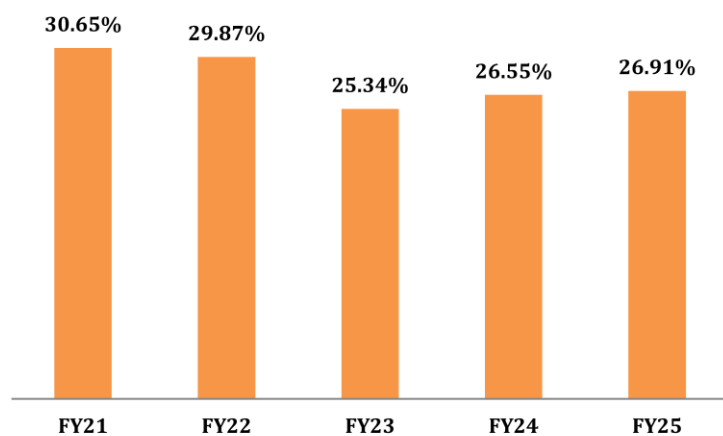
Sales In INR Cr



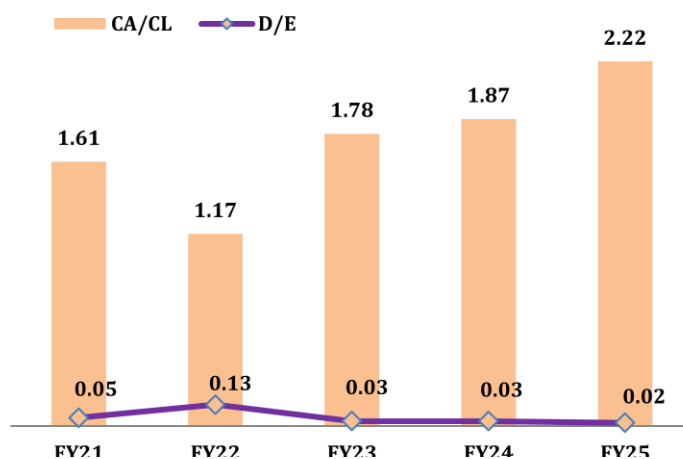
EBIDTA & PAT In INR Cr



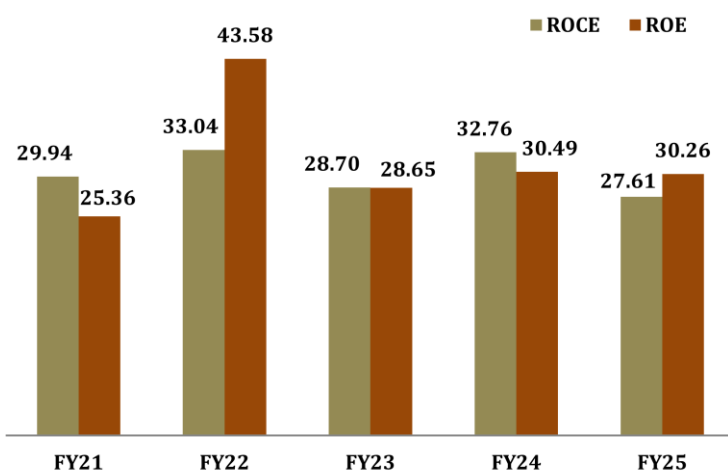
EBIDTA Margins %



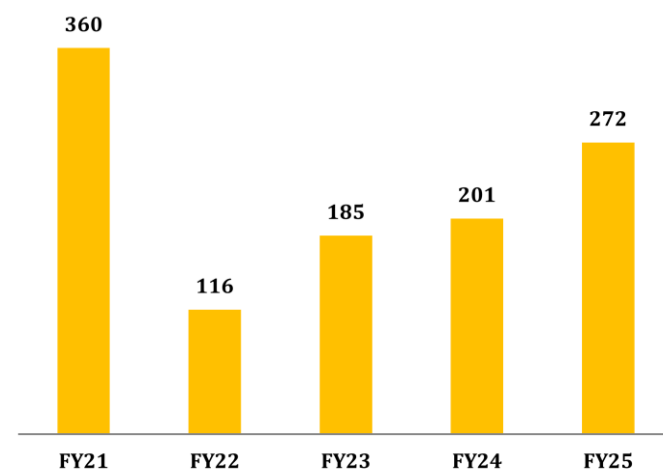
Liquidity & Leverage Ratios x



Return Ratios %



Cash & Bank Balance In INR Cr



*Source: Company, Ace Equity, AUM Research

Financials

Consolidated Quarterly Results (Value in Rs. Crs)						
Particulars	Q4FY25	Q4FY24	Var%	FY25	FY24	Var%
Net Sales & Other Operating Income	963.05	891.24	8.06	3,809.19	3,578.09	6.46
Total Expenditure	743.61	680.26	9.31	2,784.08	2,628.56	5.92
PBIDT (Excl OI)	219.44	210.98	4.01	1,025.11	949.53	7.96
Other Income	21.16	10.70	97.76	68.11	46.80	45.53
Operating Profit	240.60	221.68	8.53	1,093.22	996.33	9.72
Interest	2.78	2.88	-3.47	9.34	9.98	-6.41
Exceptional Items	-	-	-	-	-5.90	-100
PBDT	237.82	218.80	8.69	1,083.88	980.45	10.55
Depreciation	43.53	48.00	-9.31	178.21	185.90	-4.14
PBT	194.29	170.80	13.75	905.67	794.55	13.99
Tax	31.53	22.48	40.26	91.12	66.69	36.63
Net Profit	162.76	148.32	9.74	814.55	727.86	11.91
Minority Interest	-	2.15	-	3.72	-0.61	-
Share of Associates	-0.59	-1.57	62.42	-11.81	-3.72	-
Adjusted Net Profit	162.17	148.90	8.91	806.46	723.53	11.46
Equity	43.65	43.65	-	43.65	43.65	-
EPS (Rs.)	3.72	3.41	9.09	18.48	16.55	11.46

Consolidated Income Statement (Value in Rs. Crs)			
Particulars	FY24	FY23	FY22
Net sales	3,578.09	3,405.73	3,187.22
Total Expenditure	2,628.56	2,542.97	2,234.85
Operating Profit (Excl OI)	949.54	862.76	952.37
Other Income	46.80	68.93	95.25
Operating Profit	996.33	931.69	1,047.62
Interest	9.98	7.39	5.07
PBDT	986.36	924.30	1,042.55
Depreciation	185.91	247.25	334.78
Profit Before Tax & Exceptional Items	800.45	677.05	707.77
Share of Profit/Loss of JV & Associates	-3.72	-7.50	-14.58
Exceptional Income / Expenses	-5.90		-5.18
Profit Before Tax	790.83	669.55	688.01
Provision for Tax	66.70	42.14	-148.66
Profit After Tax	724.14	627.41	836.67
Share of Associates	-	-	-
Minority Interest	-0.61	12.16	2.32
Adjusted Net Profit	723.53	639.57	838.99
EPS (Rs.)	16.55	14.50	18.88

*Source: Company, Ace Equity, AUM Research

Consolidated Balance Sheet (Value in Rs. Crs)			
Particulars	FY24	FY23	FY22
EQUITY AND LIABILITIES			
Share Capital	43.65	44.12	44.12
Total Reserves	2,402.94	2,258.68	2,032.48
Shareholder's Funds	2,446.59	2,302.80	2,076.59
Minority Interest	11.12	9.96	-2.30
Deferred Tax Assets / Liabilities	-427.04	-350.23	-276.27
Other Long Term Liabilities	36.96	32.06	34.70
Long Term Provisions	15.32	27.70	25.23
Total Non-Current Liabilities	-374.76	-290.47	-216.34
Trade Payables	454.59	407.14	408.73
Other Current Liabilities	103.85	89.33	79.84
Short Term Borrowings	65.69	73.61	263.71
Short Term Provisions	134.70	153.80	163.44
Total Current Liabilities	758.83	723.89	915.72
Total Liabilities	2,841.78	2,746.18	2,773.68
ASSETS			
Gross Block	3,665.20	3,626.91	3,495.22
Less: Accumulated Depreciation	2,603.55	2,434.95	2,205.43
Net Block	1,061.65	1,191.96	1,289.79
Capital Work in Progress	6.72	5.75	1.72
Intangible Assets Under Development	0.82	0.57	1.35
Assets In Transit	51.99	53.39	54.13
Non Current Investments	280.50	179.99	263.17
Long Term Loans & Advances	14.87	12.93	18.54
Other Non Current Assets	7.01	14.76	72.22
Total Non-Current Assets	1,423.56	1,459.36	1,700.93
Current Investments	161.04	113.37	39.52
Inventories	323.40	328.04	357.61
Sundry Debtors	494.21	414.60	320.92
Cash and Bank	201.38	184.74	116.00
Other Current Assets	36.68	39.07	29.96
Short Term Loans and Advances	201.50	206.99	208.74
Total Current Assets	1,418.22	1,286.81	1,072.75
Net Current Assets (Including Current Investments)	659.39	562.93	157.03
Total Current Assets Excluding Current Investments	1,257.18	1,173.45	1,033.23
Total Assets	2,841.78	2,746.18	2,773.68

*Source: Company, Ace Equity, AUM Research

Aum Capital RESEARCH DESK

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