



## 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✓	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗

+ Positive = Neutral - Negative

## What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✓	↔	✓
RV	✓	↔	✓

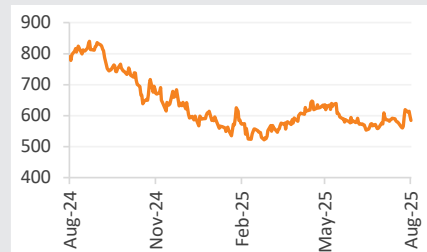
## Company details

Market cap:	Rs. 25,503 cr
52-week high/low:	Rs. 859/509
NSE volume: (No of shares)	5.8 lakh
BSE code:	531162
NSE code:	EMAMILTD
Free float: (No of shares)	19.7 cr

## Shareholding (%)

Promoters	54.8
FII	12.4
DII	24.1
Others	8.7

## Price chart



Source: NSE India, Mirae Asset Sharekhan Research

## Price performance

(%)	1m	3m	6m	12m
Absolute	1.3	-8.0	2.0	-26.1
Relative to Sensex	4.7	-7.8	-1.6	-27.5

Source: Mirae Asset Sharekhan Research, Bloomberg

## Emami Ltd

## Muted Q1 as summer portfolio dragged performance

Consumer Goods	Sharekhan code: EMAMILTD		
Reco/View: Buy	↔	CMP: Rs. 584	Price Target: Rs. 690 ↓

## Summary

- Emami's Q1FY26 performance was hit by unseasonal and early rains that led to a 17% decline in summer products, while pain management grew 17% y-o-y, aided by monsoon-led demand. Core domestic business (ex-talc/heat powder) grew 6% y-o-y, led by 3% volume growth.
- Consolidated revenue stood flat y-o-y, while higher other income and a lower tax rate led to 8% y-o-y growth in the adjusted PAT. OPM at 23.7%, slightly fell by 20 bps y-o-y.
- Emami continues to leverage innovation, distribution expansion, digital acceleration, and cost optimization to drive profitable growth going ahead. This coupled with a gradual demand recovery will further support growth in the coming months.
- Stock trades at 27x/25x its FY26E/FY27E EPS, respectively. We maintain a Buy with a revised PT of Rs. 690.

Emami's Q1FY26 performance beat estimates on all fronts, despite a weak summer which hit revenue growth of summer-centric portfolio. Consolidated revenue stood flat y-o-y at Rs. 904 crore, slightly better than ours and the street's average expectation of Rs. 878 crore. International business grew by 2% y-o-y (flat in CC terms) while domestic business witnessed 1% y-o-y decline driven by 3% volume contraction. Navratna Oil delivered a 6% growth despite the subdued summer season. Pain management range grew robustly by 17% aided by early monsoon, while BoroPlus antiseptic creams grew by 60%. Health care range maintained a steady growth of 4%. Male Grooming range declined by 9% and Kesh King declined by 5%. Strategic investments declined by 4%. Gross margin improved by 176 bps y-o-y to 69.4% y-o-y led by better category mix, while OPM slightly fell by 20 bps y-o-y to 23.7% due to higher other expenses and employee cost, beating our and average street expectation of 22% and 22.3%, respectively. Operating profit fell by 1.1% y-o-y to Rs. 214 crore. However, higher other income and lower tax incidence led to 7.9% y-o-y growth in the adjusted PAT to Rs. 181 crore, higher than our and average street expectation of Rs. 153 crore. Reported PAT grew by 9.1% y-o-y to Rs. 164 crore.

## Key positives

- Healthcare/pain management reported 4%/17% y-o-y growth, respectively aided by new launches and brand investments.

## Key negatives

- Navratna and Dermicoil/BoroPlus/Male grooming/Kesh King de-grew by 5%/5%/9%/5% y-o-y, respectively due to unseasonal rains and the early arrival of the monsoon.

## Management Commentary

- Urban discretionary consumption continued to remain under pressure, while rural demand showed early signs of recovery. Going ahead, Emami expects a gradual pickup in consumption, driven by easing inflation, interest rate cuts and a favourable monsoon.
- A soft and shortened summer season led by unseasonal rain and the early onset of monsoons adversely impacted consumption across Emami's summer-centric portfolio.
- The talcum powder and prickly heat powder category, which highly depends on summer demand was significantly impacted and declined by 17% (on a high base of 54% growth in Q1FY25). Excluding talc and prickly heat powders, Emami's core domestic business delivered 6% revenue growth and a 3% volume growth.
- During Q1, Emami 1) launched Dermicoil Prickly Heat spray Navratna Ayurvedic Hairfall Control Oil, Navratna Cool Talc - Fresh Floral and BoroPlus Icy Citrus Blast Prickly Heat Powder, 2) relaunched Navratna Gold and Zandu Roll On and 3) Rolled out three new digital-first innovations - Shilajit Cool Rush Capsules & Resin, Zandu Kansa Wand Ayurvedic Massager, and Zandu Chia & Flax Seeds via the Zanducare portal.
- Organized channels grew by 6%, with saliency improving by 190 bps. Quick commerce scaled up rapidly at nearly 3x y-o-y.
- International business delivered a modest 2% y-o-y growth despite macroeconomic volatility and geopolitical uncertainty in the key markets of Bangladesh, the Middle East, and Africa. The company witnessed a decline in Bangladesh, however, rest of the business grew by ~14%.
- Smart & Handsome is being extended into other Male Grooming categories in Q2. Kesh King is undergoing a strategic transformation, reimagining the brand in Q2 for sustained relevance and future growth. The Man Company has returned to growth in June '25, and management expects the momentum to continue.

**Revision in earnings estimates** - We have cut our estimates for FY26 and FY27 to factor in muted performance in Q1 and growth challenges across select categories.

## Our Call

**View - Retain Buy with a revised PT of Rs. 690:** Emami's Q1 revenue was impacted by weak summer, while margins remained stable. 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. The stock trades at 27x/25x its FY26E/FY27E EPS, respectively. We maintain a Buy rating on the stock with a revised PT of Rs. 690.

## Key Risks

Emami's product portfolio is seasonal. Hence, any weather vagaries or supply disruption due to frequent lockdowns would affect performance in the near to medium term.

## Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenues	3,406	3,578	3,809	4,084	4,428
OPM (%)	25.3	26.5	26.9	27.3	27.6
Adjusted PAT	747	799	873	945	1,036
% YoY growth	-0.8	6.4	10.2	8.5	9.5
Adjusted EPS (Rs.)	16.9	18.3	20.0	21.6	23.7
P/E (x)	34.5	31.9	29.2	27.0	24.6
P/B (x)	11.2	10.4	9.5	8.2	7.1
EV/EBITDA (x)	29.4	26.3	24.0	21.8	19.5
RoNW (%)	34.5	33.8	34.4	33.0	31.4
RoCE (%)	34.9	36.3	37.6	36.2	34.4

Source: Company; Mirae Asset Sharekhan estimates

**Results (Consolidated)**

Particulars	Rs cr				
	Q1FY26	Q1FY25	y-o-y (%)	Q4FY25	q-o-q (%)
<b>Net revenue</b>	<b>904.1</b>	<b>906.1</b>	<b>-0.2</b>	<b>963.1</b>	<b>-6.1</b>
Raw materials	276.5	293.0	-5.6	328.4	-15.8
Employee costs	119.5	111.1	7.6	110.6	8.0
Ad promotions	179.8	183.7	-2.1	188.9	-4.8
Other expenses	114.2	101.8	12.1	115.7	-1.3
Total expenditure	689.9	689.6	0.0	743.6	-7.2
<b>Operating profit</b>	<b>214.2</b>	<b>216.5</b>	<b>-1.1</b>	<b>219.4</b>	<b>-2.4</b>
Other income	21.6	10.5	-	21.2	2.0
Finance costs	2.4	2.1	18.0	2.8	-12.6
Depreciation	21.7	21.2	2.4	20.8	4.5
<b>Profit before tax</b>	<b>211.7</b>	<b>203.7</b>	<b>3.9</b>	<b>217.0</b>	<b>-2.5</b>
Tax	28.4	33.7	-16.0	37.4	-24.1
<b>Adjusted PAT</b>	<b>183.3</b>	<b>170.0</b>	<b>7.9</b>	<b>179.7</b>	<b>2.0</b>
Minority interest	-2.1	-2.1	-	-0.6	-
<b>Adjusted PAT after MI</b>	<b>181.2</b>	<b>167.9</b>	<b>7.9</b>	<b>179.1</b>	<b>1.2</b>
Extra-ordinary items	16.9	17.3	-1.9	16.9	0.1
<b>Reported PAT</b>	<b>164.3</b>	<b>150.6</b>	<b>9.1</b>	<b>162.2</b>	<b>1.3</b>
Adjusted EPS (Rs.)	4.2	3.9	7.9	4.1	2.0
			<b>bps</b>		<b>bps</b>
GPM (%)	69.4	67.7	176	65.9	352
OPM (%)	23.7	23.9	-20	22.8	91
NPM (%)	23.4	22.5	93	22.5	87
Tax rate (%)	13.4	16.6	-317	17.2	-382

Source: Company; Mirae Asset Sharekhan Research

**Category/Brand-wise performance y-o-y basis**

Key brands/category	Q1FY26
Healthcare range	4
Pain Management range	17
Navratna & Dermicool range	-5
Kesh King range	-5
Boroplus range	-5
Male Grooming range	-9
Strategic subsidiaries	-4

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Volumes and margins to recover gradually

Consumer goods companies are expected to see yet another muted quarter. We expect gradual uptick in volume growth on low base in the coming quarters driven by expectations of good monsoon, income tax benefits, interest rate cuts, and a gradual improvement in the macroeconomic environment. We believe large improvement in the volume growth could be seen in H2FY26 amid stable demand. We expect margins to remain lower in the coming quarters and if input prices stabilise in the coming months, we might see margins rise from H2FY26.

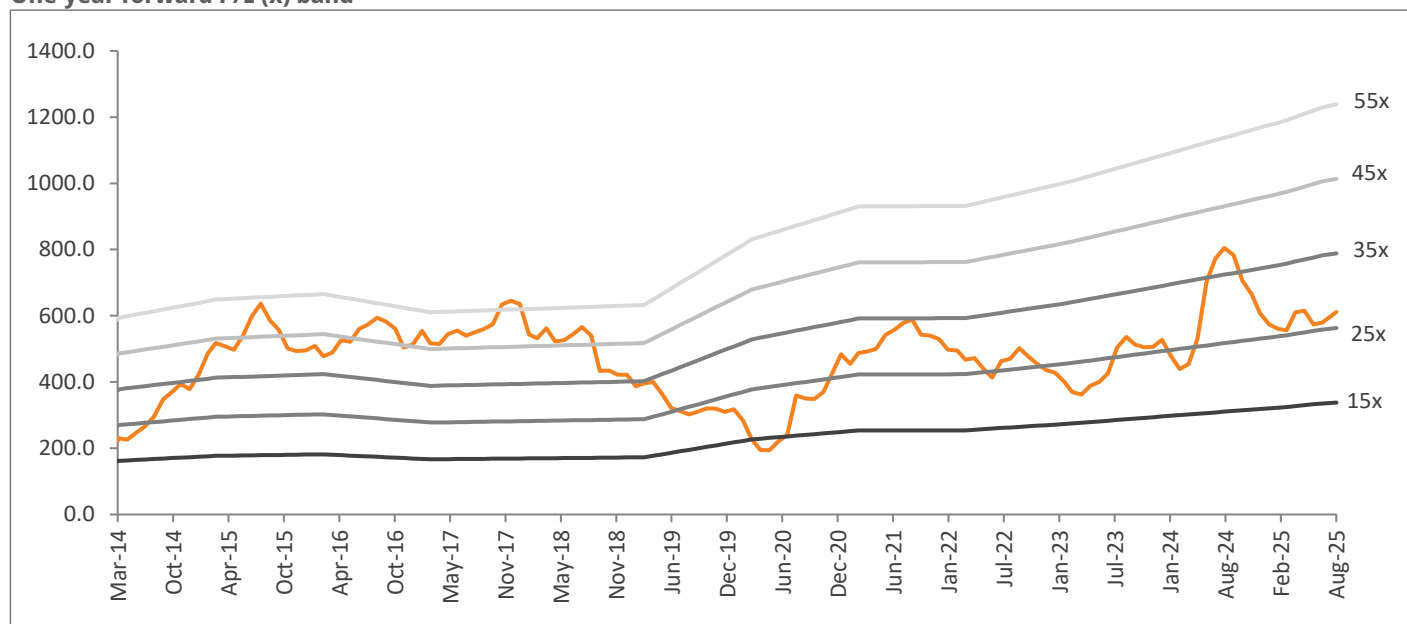
### ■ Company Outlook – Eyeing gradual recovery in FY26

Emami's operating performance was muted in Q1 with flat y-o-y revenue growth and OPM largely stable y-o-y. Distribution expansion, higher investment in brands, continued new product launches and recovery in rural markets will 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. With strategies in place, we expect revenue and PAT to report a 8% and 9% CAGR, respectively, over FY25-FY27E.

### ■ Valuation – Maintain Buy with a revised PT of Rs. 690

Q1 revenue was impacted by weak summer, while margins remained stable. 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. The stock trades at 27x/25x its FY26E/FY27E EPS, respectively. We maintain a Buy rating on the stock with a revised PT of Rs. 690.

#### One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

#### Peer Comparison

Particulars	P/E (x)			EV/EBIDTA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Dabur	52.8	47.0	41.8	39.9	35.8	32.0	19.5	20.7	22.0
Marico	55.9	50.1	43.5	42.7	36.9	31.8	43.2	45.2	44.9
Emami	29.2	27.0	24.6	24.0	21.8	19.5	37.6	36.2	34.4

Source: Company; Mirae Asset Sharekhan Research

## About company

Emami is one of the leading FMCG companies that manufacture and market 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. With the acquisition of Kesh King in 2015, the company has forayed into the ayurvedic hair and scalp care segment. Following the acquisition of Creme 21, a German brand with strong roots and brand recall in 2019, Emami went on to acquire Dermicool, one of the leading prickly heat and cool talc brands in India in 2022. 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, Africa, Eastern Europe, and CIS countries.

## Investment theme

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. The company has taken various initiatives for key categories to improve its growth prospects. The company has appointed a separate sales head, international business head, and healthcare segment head recently, which gives us an indication that management is now getting its focus back on improving the growth prospects of its consumer business. The company's revenue and PAT are expected to report a 8% and 9% CAGR, respectively, over FY25-FY27E, driven by its focus on product launches, distribution expansion, scale-up of the emerging channels, a strong pipeline of D2C brands, growth in the international business, and improved penetration.

## Key Risks

- ♦ A slowdown in domestic consumption demand (especially in the rural market) would result in muted numbers for Emami in the near to medium term.
- ♦ Emami's product portfolio is prone to seasonal vagaries and, hence, remains a key risk to the company's performance.

## Additional Data

### Key management personnel

Name	Designation
R. S. Goenka	Chairman
Harsha Vardhan Agarwal	Managing Director
N. H. Bhansali	CEO-Finance, Strategy & Business Development and CFO
Ravi Varma	Company Secretary and Compliance Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	DSP Investment Managers Pvt. Ltd.	3.82
2	Kotak Mahindra Asset Management Co. Ltd.	3.35
3	Nippon Life India Asset Management Ltd.	3.26
4	HDFC Asset Management Co. Ltd.	3.14
5	Franklin resources Inc.	2.04
6	AVEES TRADING AND FINANCE	1.99
7	Vanguard Group Inc.	1.79
8	SBI Funds Management Ltd.	1.72
9	UTI Asset Management Co. Ltd.	1.42
10	Norges Bank	1.39

Source: Bloomberg

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## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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