MIRAE ASSET Sharekhan

# Emami Ltd

## Multiple one-offs hit Q2; eyeing better H2

Stock Update

Result Update

| Consumer Goods | Sharekhan code: EMAMILTD |
|---|---|

| Reco/View: Buy | ↔ | CMP: Rs. 511 (as on Nov 19, 2025) | Price Target: Rs. 645 | ↓ |
|---|---|---|---|---|


**Summary**

- Emami's Q2FY26 hit by multiple headwinds - GST 2.0, extended monsoons and weak talc sales with revenue/adjusted PAT falling 10%/25% y-o-y, respectively (ex-GST impacted categories, non-impacted portfolio grew 10% y-o-y). OPM fell 576 bps y-o-y to 22.4%.
- Company has revamped Kesh King (refreshed packaging, sharper positioning, upgraded formulation) and its male grooming portfolio (entry in new segments with 12 new launches).
- High-single digit or double-digit revenue growth eyed in Q3 led by winter loading, restocking post GST, and a cooler winter. It expects margin expansion and strong EBITDA growth in H2.
- Stock trades at 26x/23x/21x its FY26E/FY27E/FY28E EPS, respectively. We maintain a Buy with a revised PT of Rs. 645.


### 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 | | ↔ | |

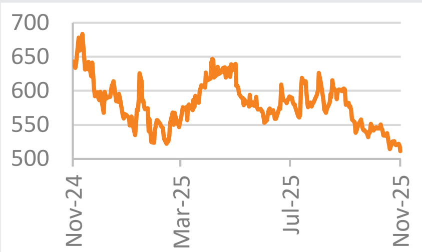
### Company details

| | |
|---|---|
| Market cap: | Rs. 22,312 cr |
| 52-week high/low: | Rs. 740 / 499 |
| NSE volume: (No of shares) | 6.1 lakh |
| BSE code: | 531162 |
| NSE code: | EMAMILTD |
| Free float: (No of shares) | 19.7 cr |

### Shareholding (%)

| | |
|---|---|
| Promoters | 54.8 |
| FII | 11.4 |
| DII | 25.0 |
| Others | 8.8 |

### Price chart




*Source: NSE India, Mirae Asset Sharekhan Research*

### Price performance

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | -6.0 | -15.1 | -20.1 | -20.5 |
| Relative to Sensex | -6.9 | -19.5 | -23.9 | -30.3 |

*Source: Mirae Asset Sharekhan Research, Bloomberg*

**Emami's Q2FY26 performance was hit by multiple one-offs – GST transition (-4.1% impact on revenues), deferred winter loading (-4.4% impact on revenue) summer portfolio weakness (-4.5% impact on revenues), partially offset by a 2.5% growth in the non-GST portfolio. Consolidated revenue fell by 10.3% y-o-y to Rs. 799 crore, in line with our expectation of Rs. 799 crore. Excluding GST-impacted categories, non-impacted portfolio grew by 10% y-o-y. Domestic revenue fell 15% y-o-y, with volumes declining 16%. The international business grew 8% y-o-y. Gross margins rose by 34 bps y-o-y to 71% y-o-y on stable raw material prices, while OPM declined by 576 bps y-o-y to 22.4%, mainly due to negative operating leverage. OPM came in better than our expectation of 21.6%. Operating profit fell 28.7% y-o-y to Rs. 179 crore and adjusted PAT fell by 24.8% y-o-y to Rs. 172 crore, beating our expectations of Rs. 152 crore. In H1FY26, revenue declined by 5.2% y-o-y to 1,703 crore, OPM fell by 292 bps y-o-y to 23.1% and adjusted PAT decreased by 10.9% y-o-y to Rs. 353 crore. The board has declared interim dividend of Rs. 4 per share for FY26.**

**Key positives**

- Strategic investments portfolio (The Man Company and Brillare) grew 16% y-o-y.

**Key negatives**

- Navratna & Dermicool/BoroPlus/Kesh King range fell 33%/30%/23% y-o-y, respectively.
- EBITDA margin contracted 576 bps y-o-y mainly due to negative operating leverage.

**Management Commentary**

- About 88% of core domestic portfolio benefited due to GST 2.0, taking its total 5% GST rate portfolio coverage in the core domestic business to ~93%, leading to revision across 293 products and 497 SKUs.
- Summer portfolio faced a second challenging quarter, with excessive rains impacting offtake in talc and prickly heat powder categories on a high comparative base.
- Rural demand remains good across all categories and sachets are doing particularly well.
- Smart & Handsome brand launched 12 new SKUs across sunscreens, shower gels, under-eye creams, deodorants, face serums, and sheet masks, broadening its relevance across the male grooming spectrum.
- Kesh King was relaunched as Kesh King Gold. The relaunch features refreshed packaging, sharper positioning, and an upgraded formulation enriched with Gro Biotin and Plant Omega 3-6-9 moving from a pure Ayurvedic brand to one enhanced with scientifically proven ingredients.
- Zanducare portfolio was strengthened with Good Gut Cleanse & Detox Shots and Acidity & Bloating Relief Tablets, complementing three digital-first innovations introduced in Q1.
- Emami strengthened its premium and value-added offerings in the international markets with the launch of Creme21 Papaya Brightening body lotion, Creme 21 Xtra Cocoa Butter body lotion and cream and Creme 21 Xtra Bright Range, enhancing its presence in the skincare and personal care categories globally.
- October saw a good rebound and winter loading happened as well. Management expects high-single digit or double-digit growth in Q3.
- E-commerce and modern trade each contribute ~11% to the total domestic business. Quick commerce makes up ~40% of the e-commerce sales.

**Revision in earnings estimates –** We have cut our estimates for FY26 and FY27 to factor in a weak Q2 and growth challenges across select categories. We have introduced FY28 estimates through this note.

**Our Call**

**View – Retain Buy with a revised PT of Rs. 645:** Emami's Q2FY26 performance was hit by several one-offs. However, management is optimistic of revenue and margin recovery in Q3. 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 26x/23x/21x its FY26E/FY27E/FY28E EPS, respectively. We maintain a Buy with a revised PT of Rs. 645.

**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)** Rs cr

| Particulars | FY24 | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|---|
| Revenues | 3,578 | 3,809 | 3,934 | 4,253 | 4,572 |
| OPM (%) | 26.5 | 26.9 | 26.4 | 26.7 | 27.3 |
| Adjusted PAT | 799 | 873 | 874 | 955 | 1,053 |
| % YoY growth | 6.4 | 10.2 | 0.4 | 9.1 | 10.2 |
| Adjusted EPS (Rs.) | 18.3 | 20.0 | 20.0 | 21.9 | 24.1 |
| P/E (x) | 27.9 | 25.6 | 25.5 | 23.4 | 21.2 |
| P/B (x) | 9.1 | 8.3 | 7.3 | 6.5 | 5.8 |
| EV/EBITDA (x) | 22.9 | 20.9 | 20.4 | 18.4 | 16.4 |
| RoNW (%) | 33.8 | 34.4 | 30.9 | 30.0 | 29.3 |
| RoCE (%) | 36.3 | 37.6 | 34.0 | 32.9 | 32.1 |

*Source: Company; Mirae Asset Sharekhan estimates*

**Results (Consolidated)** Rs cr

| Particulars | Q2FY26 | Q2FY25 | y-o-y (%) | Q1FY26 | q-o-q (%) |
|---|---|---|---|---|---|
| **Net revenue** | **798.6** | **890.6** | **-10.3** | **904.1** | **-11.7** |
| Raw materials | 231.4 | 261.0 | -11.4 | 276.5 | -16.3 |
| Employee costs | 121.2 | 112.9 | 7.4 | 119.5 | 1.5 |
| Ad promotions | 156.4 | 145.7 | 7.3 | 179.8 | -13.0 |
| Other expenses | 111.0 | 120.5 | -7.9 | 114.2 | -2.8 |
| Total expenditure | 620.0 | 640.1 | -3.1 | 689.9 | -10.1 |
| **Operating profit** | **178.6** | **250.5** | **-28.7** | **214.2** | **-16.6** |
| Other income | 21.4 | 21.6 | -0.9 | 21.6 | -1.0 |
| Finance costs | 2.6 | 2.3 | 12.9 | 2.4 | 8.2 |
| Depreciation | 22.2 | 21.4 | 4.1 | 21.7 | 2.3 |
| **Profit before tax** | **175.1** | **248.4** | **-29.5** | **211.7** | **-17.3** |
| Tax | 1.8 | 15.7 | -88.4 | 28.4 | -93.5 |
| **Adjusted PAT** | **173.3** | **232.6** | **-25.5** | **183.3** | **-5.4** |
| Minority interest | -1.8 | -4.6 | - | -2.1 | - |
| **Adjusted PAT after MI** | **171.5** | **228.0** | **-24.8** | **181.2** | **-5.4** |
| Extra-ordinary items | 23.0 | 17.3 | 33.1 | 16.9 | 36.1 |
| **Reported PAT** | **148.5** | **210.7** | **-29.5** | **164.3** | **-9.6** |
| Adjusted EPS (Rs.) | 4.0 | 5.3 | -25.5 | 4.2 | -5.4 |
| | | | **bps** | | **bps** |
| GPM (%) | 71.0 | 70.7 | 34 | 69.4 | 161 |
| OPM (%) | 22.4 | 28.1 | -576 | 23.7 | -133 |
| NPM (%) | 21.9 | 27.9 | -596 | 23.4 | -148 |
| Tax rate (%) | 1.0 | 6.3 | -529 | 13.4 | - |

*Source: Company; Mirae Asset Sharekhan Research*

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

| Key brands/category | Q2FY26 (% growth) |
|---|---|
| Healthcare range | 1 |
| Pain Management range | -4 |
| Navratna & Dermicool range | -33 |
| Kesh King range | -23 |
| Boroplus range | -30 |
| Male Grooming range | -9 |
| 7 Oils in One | -12 |
| Strategic investments | 16 |

*Source: Company; Mirae Asset Sharekhan Research*

## Outlook and Valuation

### ■ Sector Outlook – Multiple factors to aid pick up in volumes and margins

Most consumer companies are expected to pass on GST rate cut benefits to consumers either through increased grammage or price reductions. In the near term, there may be some trade related challenges, however, these steps are structural changes that will boost consumption. Consumer demand is expected to improve from H2FY26 with reduction in tax on consumer goods, further supported by the festive season. Market share gains, distribution expansion, and new product launches should help volume growth to improve in the medium to long run. We expect margins to have bottomed out in Q1 and see margins rise from H2FY26 aided by easing raw material price inflation, new inventory coming in and better operating leverage through higher volumes. Focus on improving product mix, operating efficiencies and cost saving initiatives will help to improve OPM in the medium to long term.

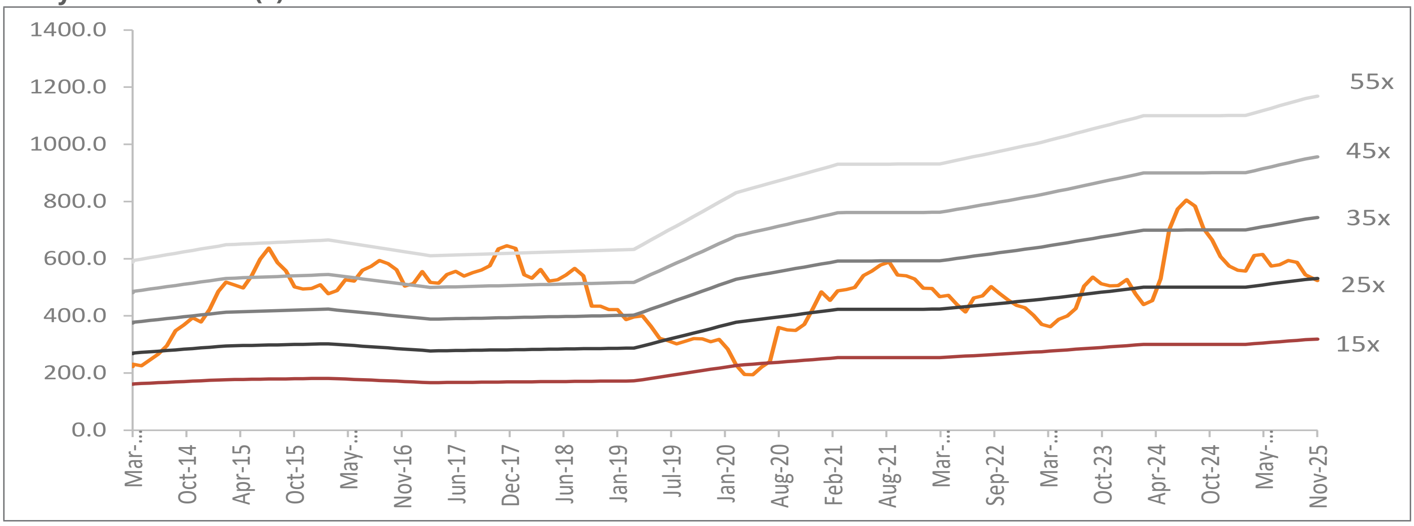
### ■ Company Outlook – Multiple growth drivers in place

Emami's Q2FY26 performance was hit by multiple one-offs – GST transition, deferred winter loading and summer portfolio weakness, partially offset by growth in the non-GST portfolio. 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 each to report a 6% CAGR, respectively, over FY25-FY28E.

### ■ Valuation – Maintain Buy with a revised PT of Rs. 645

Emami's Q2FY26 performance was hit by several one-offs. However, management is optimistic of revenue and margin recovery in Q3. 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 26x/23x/21x its FY26E/FY27E/FY28E EPS, respectively. We maintain a Buy with a revised PT of Rs. 645.

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




*Source: Company; Mirae Asset Sharekhan Research*

**Peer Comparison**

| Particulars | P/E (x) | | | EV/EBITDA (x) | | | RoCE (%) | | |
|---|---|---|---|---|---|---|---|---|---|
| | FY25 | FY26E | FY27E | FY25 | FY26E | FY27E | FY25 | FY26E | FY27E |
| Dabur India | 52.7 | 48.3 | 42.9 | 39.9 | 37.0 | 32.9 | 19.5 | 20.3 | 21.9 |
| Marico | 58.3 | 53.0 | 44.1 | 44.5 | 39.6 | 32.7 | 43.2 | 44.3 | 45.7 |
| Emami | 25.6 | 25.5 | 23.4 | 20.9 | 20.4 | 18.4 | 37.6 | 34.0 | 32.9 |

*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 each are expected to report a 6% CAGR, respectively, over FY25-FY28E, 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 | Chief Financial Offier |
| Ravi Varma | Company Secretary and Compliance Officer |

*Source: Company Website*

**Top 10 shareholders**

| Sr. No. | Holder Name | Holding (%) |
|---|---|---|
| 1 | Nippon Life India AMC Ltd. | 4.27 |
| 2 | DSP Finance Pvt. Ltd. | 3.80 |
| 3 | Kotak Mahindra AMC Ltd. | 3.35 |
| 4 | HDFC AMC Ltd. | 3.01 |
| 5 | AVEES TRADING AND FINANCE | 2.00 |
| 6 | SBI Funds Management Ltd. | 1.87 |
| 7 | Franklin Resources Inc. | 1.80 |
| 8 | Vanguard Group Inc. | 1.77 |
| 9 | UTI Asset Management Co. Ltd. | 1.61 |
| 10 | Aditya Birla Sun Life AMC Ltd. | 1.30 |

*Source: Bloomberg*

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Date: 2025.11.20 13:47:45 +05'30'

## 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 detoriating 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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