

News monitored for: Emami Group

SMART  
INVESTING  
**Rural Grip may  
Help Emami  
Outshine FMCG  
Peers in Q3**

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**CO GETS OVER 55% REVENUES FROM RURAL MARKET** that is showing demand revival; fall in proportion of pledged shares may offer support to stock

# Rural Grip may Help Emami Outshine FMCG Peers in Q3

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**ET Intelligence Group:** The stock of Emami, a manufacturer of personal care and healthcare products, gained 3.6% on Tuesday despite a marginal drop in the healthcare and fast-moving consumer goods (FMCG) indices. The stock has gained 15% since the beginning of January on hopes of a strong third quarter performance given its reach in the rural market, which has been showing a revival in demand.

The company derives over 55% of the revenues from the rural market, which is among the highest in category while nearly 40% of it is from the winter products portfolio that includes brands such as Boroplus cream, Vasocare and Zandu Balm. Analysts expect the portfolio to deliver a 30% growth year on year for the quarter following an early onset of winter. This is likely to result in a total revenue growth of a similar magnitude quarter on quarter compared with the expectation of a marginal growth or even a drop in

## On a Strong Footing

Emami December quarter financial estimates

	Q3 FY21 (₹ cr)	YoY chg	QoQ chg
Sales	970	20%	32%
Ebitda	315	19%	22%
Net Profit	239	11.20%	11.70%

**30%** YoY growth likely in co's winter products portfolio in Q3

P/E ratio (FY21E) comparison with peers

Emami	28
Britannia	44
Godrej Consumer	45
Colgate	46
Marico	48
Tata Consumer	56
Dabur	57
P&G Hygiene	63
HUL	70
Nestle	82
Asian Paints	91

### ET ANALYSIS

the case of other FMCG peers.

The company has demonstrated consistent growth over the past ten years with an operating margin of over 30% and return on equity of close to 40%. Its advertising spends as a proportion of revenue at 19% are the highest among peers.

The stock, however, trades at a relatively lower valuation following a higher pledging of the promoter stake. The proportion of pledged

shares has fallen to 38% at the end of September 2020 from 72% a year ago. The promoters expect to reduce the proportion to zero by the end of FY21. This may offer support to the stock in the near term. At Tuesday's closing price of ₹480.8 on the BSE, the stock was traded at 25 times one-year forward earnings compared with the 10-year average multiple of 33. Given the buoyant rural demand and lower valuation, the investor interest in the stock is likely to remain high.