Emami Limited
September 19, 2024

Facilities/Instruments	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term / Short-term bank facilities	168.00	CARE AA+; Stable / CARE A1+	Reaffirmed
Commercial Paper	200.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities and instruments of Emami Limited (EL) continue to derive strength from its established presence in the fast-moving consumer goods (FMCG) industry aided by extensive experience of the promoters.
EL has established brands with major product portfolio in the ayurvedic and herbal personal care/cosmetic product segment of the FMCG industry with strong market share in some of its product ranges. Regular investment in brands through organic and inorganic route along with its wide marketing and distribution channels and strong research and development (R&D) capabilities has enabled the company to steadily grow its scale of operations over the years.
The ratings also favourably factor in the company's robust financial performance in FY24 (refers to the period April 01 to March 31) and Q1FY25 with growth witnessed in total operating income (TOI) and continued healthy profitability margins and return indicators. Furthermore, the company's capital structure, liquidity and debt coverage indicators remain strong.
CARE Ratings Limited (CARE Ratings) expects EL's profitability to remain healthy considering strong brand positioning and stable demand prospects for its major products. Its liquidity and debt coverage indicators are also expected to remain strong on account of the envisaged healthy generation of cash flow from operations and funding of inorganic growth out of the strong accruals. The ratings also take note of substantial reduction in promoter level debt as well as release of pledge on its shares, post sale of controlling stake in the group's hospital business.
The ratings continue to remain constrained by the susceptibility of EL's profitability to volatility in raw material prices and intense competition in the overall FMCG industry, wherein EL has a moderate presence.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial growth in its scale of operations (TOI and tangible net worth [TNW]) along with revenue diversification across various product categories and thereby gaining significant market share in the overall FMCG industry.
- Maintaining significant free liquidity and a lean operating cycle on a sustained basis.
- Reducing pledge of the promoters' share in EL to negligible levels and maintaining such position on a sustained basis.

Negative factors

- Reduction in the scale of operations with TOI below ₹2,000 crore or major reduction in the market share of its key product segments thereby adversely impacting its cash accruals on a sustained basis.
- Large debt-funded capex or acquisition leading to considerable weakening of its credit risk profile on a sustained basis.
- Moderation in its return on capital employed (ROCE) to below 20% on a sustained basis.
- Overall gearing and total debt/PBILDT of more than 0.50x on a sustained basis.
- Material increase in the percentage of pledge of the promoters' share in EL from the existing levels.

Analytical approach: Consolidated
CARE Ratings has taken a consolidated view of EL and its subsidiaries, as they operate in similar line of business catering to different geographies and there also exists corporate guarantees/letter of comfort extended by EL to some of these entities. The list of entities being consolidated with EL is provided in **Annexure-6**.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Outlook: Stable

The 'stable' outlook reflects that EL is expected to sustain its healthy business risk profile, supported by its established brands in various product segments of the FMCG industry with strong market share in some of its product ranges. Financial risk profile is also likely to remain healthy, aided by healthy profitability and return indicators along-with very low reliance on external debt.

Detailed description of key rating drivers:

Key strengths

Long and established track record of operations in the FMCG industry

EL was set up in 1974 as Kemco Chemicals, a partnership firm, for manufacturing cosmetic products and ayurvedic medicines, which were marketed under the brand 'Emami'. In 1978, EL's promoters took over Himani Limited, engaged in manufacturing and selling cosmetic products. Over the years, EL has expanded its products portfolio by launching new products and acquisition of brands, such as Zandu, Keshking, Crème 21, and Dermicool among others. In FY21, EL forayed into the hygiene segment with the launch of hand sanitisers and antiseptic soap under Boroplus to tap the fast-growing hygiene care market.

Established brands in ayurvedic/herbal personal care segments with strong market share in few of them

EL currently markets over 500 widely accepted ayurvedic, herbal, cosmetic, personal and health care products comprising oil, talc, cream, balm, medicines, and cosmetics. These products are sold in India with a reach of 4.9 million retail outlets and over 70 countries worldwide. EL's Boroplus Antiseptic Cream, Navratna Cool Oil, Navratna Cool Talc, Dermicool, Zandu and Mentho plus Balm, Fair and Handsome and Kesh King Oil enjoy significant market share in their respective product categories and are expected to have healthy contribution to the company's revenue going forward. Four of the seven brand segments of EL recorded growth in FY24 compared to FY23. Boroplus, Keshking and Fair and Handsome witnessed a decline. The decline in keshking and fair and handsome was on account of sub-optimal monsoons and sustained inflation that led to demand pressures in discretionary categories (non-essential personal care in rural and wholesale channels). The company has appointed consultancy firm Boston Consultancy Group (BCG) for improving penetration of KeshKing and Boroplus.

Regular investment in brand strengthening

Advertisement is an integral part of EL's business promotion. The company's brand positioning has consistently resonated with the country's middle-income population. Leading film stars, sportspersons and celebrities continue to be associated with EL's brands. Over 100 celebrities have been associated with its brands in the last many years.

To tap the rural market, EL launches ad films, which specially targets rural consumers. Over the years, the company has rationalised its advertisement and sales promotion spend amidst economic slowdown to enhance its brand economies and retain its market position. The aggregate expenditure on advertisement and sales promotion as a percentage of its sales increased from 16.50% in FY23 to 18.23% in FY24. CARE Ratings notes that the company has also been making efforts to gradually increase its presence in the e-commerce channels.

In March 2022, the company acquired 'Dermicool', one of the leading brands in the prickly heat powder and cool talc category from Reckitt Benckiser Healthcare (India) Private Limited (RBHIPL), for a total consideration of ₹432 crore excluding taxes and duties. In FY22 and FY23, EL further increased its strategic stake in Helios Lifestyle Private Limited and Brillare Science Private Limited, which cater to male grooming segment and skin/hair care segment, respectively. In FY24, EL increased its stake in Brillare Science Private Limited from 82.92% to 100%, thus making it a wholly owned subsidiary of the company. In August 2024, EL signed share purchase agreement to acquire remaining 49.60% stake in Helios Lifestyle Private Limited. First tranche of the acquisition has been completed in September 2024 and currently EL holds 94.24% stake of the company.

In July 2022, the company acquired 30% stake in Cannis Lupus Services India Private Limited, which is engaged in the pet care segment offering Ayurvedic/herbal remedies for pets under the brand "Fur Ball Story".

The company entered juice category by acquiring 26% stake in each of 'Axiom Ayurveda Private Limited ("AAPL"), Axiom Food & Beverages Private Limited ("AFBPL") and Axiom Packwell Private Limited ("APPL")', for a total purchase consideration of ₹109.56 crore in October 2023. Axiom markets beverage products under the brand 'AloFrut', a refreshing and healthy fusion of aloe vera pulp and fruit blend.

Wide marketing and distribution channel

EL has three distinct marketing channels, including retail, rural trade and export. Retail sales take place through 3,200 distributors (including 500 rural super-stockists) and 10,500 sub-stockists. The company has direct coverage through around 10 lakh retailers and indirect coverage through 41 lakh retailers in FY24. EL also has presence in the overseas market (17.47% of consolidated sales in FY24) apart from established domestic presence. EL has 26 depots across India.

In addition, the products are also sold through organised retail chains and e-commerce platforms. Institutional sales are carried out through direct liaison with Canteen Stores Department (CSD), Government of India. The company has websites for Zandu,

Kesh King and Boroplus, and the company's products are also available on prominent eB2B platforms like Udaan and Jio Mart as well. The extensive distribution network is likely to aid the company in growing its market presence further.
Exports are handled by agents located around the globe and through overseas marketing subsidiaries of EL. The company's overseas revenue increased from ₹567 crore in FY23 to ₹617 crore in FY24 (comprising ~17.47% of the company's overall revenue) with over 10 brands in its international portfolio and presence in over 70 countries. E-commerce experienced robust double-digit growth, with its contribution to the domestic business reaching approximately 12% in FY24.

Robust financial performance in FY24 and Q1FY25
The company's overall performance witnessed an improvement in FY24 compared to FY23 with revenue witnessing a growth of 5% y-o-y. Growth in revenue was driven by growth in domestic business by 4%, international business by around 9% in FY24 compared to FY23.
The PBILDT margin, marginally improved from 25.33% in FY23 to 26.54% in FY24 on account of softening of raw material price, which was partly offset by increase in sales promotion and ad spend. The same, however, remained higher than industry average. EL's operating margin has remained healthy in the last few years on account of better cost management across all functions. ROCE and return on net worth (RONW) increased to 38.26% and 31.32% in FY24 from 30.13% and 27.13% in FY23 and remained very comfortable.
In Q1FY25, the total operating income (TOI) witnessed a growth of 10% y-o-y to ₹906.07 crore with PBILDT margin and profit after taxation (PAT) margin remaining largely stable.
CARE Ratings expects that with softening of commodity prices, expected improvement in demand from the rural economy, and reduction of loss from recent acquisitions, the revenue and profitability should improve going forward. Furthermore, the strong brand position in some of the product categories is also expected to drive the growth in sales going forward.

Robust capital structure
The company's capital structure of the company remained robust with very minimal total debt. Overall gearing stood at 0.04x as on March 31, 2024, same as it stood on March 31, 2023.
Also, the company paid dividend of ₹349 crore for FY24. Working capital limit utilisation stood low at less than 10% for the trailing 12 months ended June 2024. The company does not have any long-term debt apart from lease liabilities. The company has plans for inorganic growth, wherein it expects to spend over ₹200 crore. However, this shall be funded out of strong accruals and liquidity buffer. With no major debt funded capex/acquisition plans in the medium term and healthy liquidity, CARE Ratings expects the capital structure to remain comfortable.

Experienced promoters and management team
The promoters of the Emami group, R. S. Agarwal and R. S. Goenka, are professionally qualified, with business experience of over four decades. They, along-with a team of professionals, established the Emami group as a reputed conglomerate based out of eastern India. Apart from EL, the promoters have business presence in edible oil, paper, real estate, retail, hospitals, bio-diesel and pharmacy. EL is governed by a 16-member Board of Directors consisting of eight members from the promoters' families and eight eminent professionals and businessmen from diverse fields as independent directors.
While R S Agarwal and R S Goenka have stepped down from their executive position w.e.f. April 01, 2022, and transitioned the business to their next generation, they continue to remain on the board. Harsha Vardhan Agarwal has been appointed as Vice Chairman-cum-Managing Director and Mohan Goenka has been appointed as Vice Chairman-cum-Whole Time Director. Both H V Agarwal and Mohan Goenka have been the company's whole-time directors since January 2005 and have been looking after various functions in the company.
Few years ago, the promoters had pledged significant part of their shareholding in EL to provide financial support to its group companies for various asset creation. However, subsequently, the promoters took several steps like sale of part of their stake in EL along with monetisation of the group's cement, power and healthcare businesses to reduce promoter-level debt and in turn the proportion of pledge of promoter shareholding in EL to less than 10%. Outstanding loan against pledge of the promoter's shares reduced from ₹1,806 crore as on September 06, 2023, to ₹776 crore as on August 30, 2024.

Strong R&D capabilities for continuous product innovation and packaging development
A team of experienced professionals, including cosmetologists, science/pharma graduates, engineers, and perfume evaluators, strengthens the company's ability to identify customers' unmet needs and develop completely new product segments accordingly. The company has set up a Research and Innovation (R&I) centre spanning over 30,000 square feet (sq. ft) in Kolkata. The centre encompasses product innovation development, product processing science, competitive intelligence cell, analytical development, perfumery science, quality assurance and packaging and development.

Liquidity: Strong

The company's liquidity is marked by strong accruals in FY24 and Q1FY25 against nil term debt repayment obligations and cash and bank balance of ₹638 crore as on June 30, 2024 (consolidated). Average working capital limit utilisation also remained low at less than 10% for the last 12 months ended June 30, 2024. The company's unutilised bank lines are adequate to meet its incremental working capital needs over the next one year. The company's operating cycle stood at 52 days in FY24 (50 days in FY23) considering higher inventory days of 66 days in FY24 (69 days in FY23). Plans to invest close to ₹200 crore in inorganic growth can be comfortably funded out of internal generations.

Key weaknesses

Susceptibility of its profitability to volatility in raw material prices

Key raw materials for EL include menthol, packaging material and vegetable oil. Price of polymers (used for packaging material) is linked to the price of crude, which is volatile in nature. Menthol/Mentha oil (acts as a soothing product), LLP (crude derivative), rice bran oil (RBO), seshale wax and til oil are the key raw materials used in health care and personal care products. Most of the materials are procured domestically, and very few are imported.

Given the intense competition in the industry with price-sensitive consumers, the company may face difficulty in immediately passing on increase in raw material prices. The company has been continuously investing in its technology and focusing on cost efficiencies, which has helped in mitigating the impact of volatility in raw material prices on its profitability.

Intense competition in FMCG industry

Indian FMCG market is characterised by the presence of large number of organised and unorganised sector players with significant similarity of product categories offering wide choice to the consumers. High level of competition calls for higher advertisement and sales promotion expenditure. The domestic organised sector consists of some very large players (including MNCs), which are better positioned to command a price and quality edge over the competitors. Overall, the FMCG market remains highly fragmented with widespread use of unbranded and unpacked homemade products in the rural market, wherein small and medium manufacturers are also a competition to established players.

However, considering low penetration levels of various product segments, FMCG industry is poised for a long-term growth.

Environment, social, and governance (ESG) risks

EL has formulated an environment protection policy, including energy optimisation cell, water management policy, waste water treatment and energy efficiency measures to ensure sustainability of operations given the impact of FMCG manufacturing on environment.

EL is dedicated to utilising artificial intelligence tools to create products with enhanced sensorial qualities. Leveraging its expertise in natural product chemistry and the beneficial properties of Ayurvedic and herbal actives, Emami's R&D focuses on developing effective solutions that do not cause adverse physiological effects.

Emami is committed to nature-based, organic, and Ayurvedic products certified by Ecocert, Cosmos, and National Programme for Organic Production (NPOP). With a vision to create formulations that are 100% natural and vegan-compatible, Emami's R&D focuses on continuous development of sustainable and environmentally friendly products and manufacturing processes to reduce its carbon footprint. By leveraging advanced clean technologies like CNG and bio briquette-based steam generators, and implementing best practices, the company aims to enhance operational efficiency, reducing energy consumption and emissions per unit of output. Three of EL's manufacturing units are equipped with rooftop solar generation. Currently, over 19% of EL's total energy requirements are being met through renewable sources.

It also meets its social responsibilities and undertakes various CSR initiatives which mainly comprises of education and skill development, health, water and sanitisation and social uplift. The company spent ₹12.01 crore on CSR activities during the year against obligation of ₹11.98 crore.

EL's Board of Directors comprises 16 directors, of which eight are independent directors (50%). Also, there have been no whistle blower complaints and penalties, no fines or strictures have been imposed on the company by any Stock Exchange or SEBI or any Statutory Authority on any matter related to capital markets in the last three financial years.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector

[Short Term Instruments](#)
[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Diversified FMCG	Diversified FMCG

EL, the flagship company of the Kolkata-based Emami group, is one of the leading FMCG companies in India. It is engaged in manufacturing herbal and ayurvedic products in personal, cosmetic and health care segments. Its products are sold under the brands, 'Emami' (Personal and Cosmetic), 'Himani' (Ayurvedic), 'Zandu', 'Keshking' and 'Dermicool'. EL's business is divided in two broad verticals: Healthcare products and Home and Personal Care products.
In addition to strong domestic presence, EL's products are also sold in over 70 countries, with substantial presence in SAARC (South Asian Association for Regional Cooperation) countries, MENAP (Middle East, North Africa and Pakistan) and Africa. EL also has an overseas manufacturing facility in Bangladesh (at Ghazipur in Greater Dhaka) through its wholly-owned subsidiary, Emami Bangladesh Limited, which is operational since 2012.
Apart from its five own manufacturing facilities, the company also has over 35 third-party manufacturing facilities in India and four such facilities overseas.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	Q1FY25 (UA)
Total operating income	3398.23	3578.09	906.07
PBILDT	855.26	949.54	214.41
PAT	627.41	724.14	150.60
Overall gearing (times)	0.04	0.04	NA
Interest coverage (times)	115.71	95.17	104.08

A: Audited UA: Unaudited; NA- Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument/Facilities	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Commercial Paper-Commercial Paper (Standalone)		-	-	Not yet placed	200.00	CARE A1+
Fund-based/Non-fund-based-LT/ST		-	-	-	168.00	CARE AA+; Stable / CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	168.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (03-Oct-23)	1)CARE AA+; Stable / CARE A1+ (22-Sep-22)	1)CARE AA+; Stable / CARE A1+ (23-Sep-21)
2	Commercial Paper-Commercial Paper (Standalone)	ST	200.00	CARE A1+	-	1)CARE A1+ (03-Oct-23)	1)CARE A1+ (22-Sep-22)	1)CARE A1+ (23-Sep-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Emami Bangladesh Limited	Full	Subsidiary
2	Emami Lanka (Pvt) Ltd (formerly known as Emami Indo Lanka (Pvt) Ltd) (w.e.f. March 04, 2022)	Full	Subsidiary
3	Emami International FZE	Full	Subsidiary
4	Emami Overseas FZE	Full	Subsidiary
5	Pharmaderm Company S.A.E.	Full	Subsidiary
6	Emami Rus (LLC)	Full	Subsidiary
7	Crème 21 GMBH	Full	Subsidiary
8	Emami Personal Care Trading LLC (w.e.f. February 15, 2022)	Full	Subsidiary
9	Brillare Science Pvt Ltd	Full	Subsidiary
10	Helios Lifestyle Pvt Ltd	Full	Subsidiary
11	Cannis Lupus Services India Pvt Ltd	Proportionate	Associate
12	Tru Native F&B Pvt Ltd (w.e.f. March 05, 2022)	Proportionate	Associate
13	Axiom Ayurveda Private Limited (w.e.f. October 17, 2023)	Proportionate	Associate
14	Axiom Foods and Beverages Private Limited (w.e.f. October 17, 2023)	Proportionate	Associate
15	Axiom Packwell Private Limited (w.e.f. October 17, 2023)	Proportionate	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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