



From : 30-04-2014
To : 12-02-2015
Performance : 110%
Recommendation : CLOSED

Background & Business

Established in 1974, Emami is one of the leading players in the Indian FMCG industry with a wide portfolio of nearly 250 products mainly on the 'Therapeutic' and 'Ayurveda' platform across – skin care, pain management, lip care, healthcare & wellness and cooling oil & talc segments and more recently across deodorants and sanitary napkins. Promoted by Kolkata based industrialists – Mr. R.S. Agarwal and Mr. R.S. Goenka; over the years Emami has innovated and built blockbuster brands of over Rs. 1bn each; such as "Borpolus", "Zandu", "Navratna" and "Fair & Handsome".

Investment Thesis

Emami's top brands (Navratna, Boroplus, Zandu and Fair & Handsome), which contribute nearly 70% to company's revenues have grown at nearly 20% CAGR over past five years. These brands have established strong brand recall and continue to gain market share. Company continues to foray into new product categories by launching products regularly and is planning to increase its presence in health care and OTC segment. By acquiring hair-and-scalp-care business of "Kesh Kala", Emami entered a Rs. 9bn market and a brand with ~35% market share that has grown at 60%+ revenue CAGR over past three years. The entry of Kesh Kala, which enjoys 45% EBITDA margins (vs 30% for the company) improves product mix for the company, and along with lower crude oil prices, would expand margins for Emami.

Outlook

Emami's story of creating, acquiring and growing power brands has played out well and the stock has doubled over our holding period. We feel that current valuations fully price in the expected growth for the company and there is limited room for further upside. Hence, we exit the stock.



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