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Emami sees 200-300 basis point margin growth Y-o-Y in March quarter despite 'muted' demand

KOLKATA, FEB 5/--/ Homegrown FMCG firm Emami Ltd is anticipating a 200-300 basis point expansion year-on-year in its margin in Q4 ending March 2023 due to easing of inflationary pressure on its inputs, a top company official said.

"The inflationary pressure is gradually easing out. In the Q3 (third quarter) period, it got reduced to 150 basis points from 230 basis points from the quarter before. We hope this will be wiped out by the fourth quarter ending March, boosting our bottomline," Emami vice-chairman and wholetime director Mohan Goenka told PTI.

"In the January-March period of the current fiscal,

Ebitda (Earnings before interest, taxes, depreciation, and amortization) is expected to be 24-25 per cent, which will be an improvement of 200-300 basis points over the same period last year," he said.

The margin in the fourth quarter of last year was nearly 22 per cent.

"For the full-year (FY23), the core margin will be 27 per cent, and considering investments in start-ups, the margin is expected to be at 26 per cent," he said.

The Kolkata-headquartered company had on Friday reported a 6.12 per cent increase in consolidated profit after tax to Rs 232.97 crore for the

third quarter ended December 2022, amid contraction of gross margins due to inflationary pressure.

Speaking about demand trends, Goenka stated that it remained "sluggish" for the FMCG sector with rural markets "experiencing demand pressure".

"While December showed some improvements, January showed a reversal. We will watch February and March carefully. However, we expect demand to remain muted, though with a positive bias. With the base getting better, next year our growth will be 10-12 per cent," the company official said.

As the winter is ebbing,

Emami will start loading summer products, like 'Navratna' hair oil and 'Dermicool' prickly heat powder from February.

The 'Dermicool' business revenue will be reflected in the March period.

In March 2022, Emami acquired cool talc 'Dermicool' from Reckitt Benckiser at Rs 432 crore.

The brand had a revenue of Rs 113 crore in FY'21.

"While rural markets remained muted, urban-centric new age channels, like modern trade, continued to grow strongly by 20 per cent and e-commerce by 45 per cent during the quarter (Q3) and will remain strong. We have

invested a lot in these channels. There are a lot of digital-first products," Goenka said.

In the next two and half years, contributions of these two channels will reach 25 per cent of its total revenue from 18 per cent in the December quarter, he said, adding that this share was around 15 per cent in the July-September period.

Speaking about global headwinds and the Union budget, he said, "We are at a very sweet spot with a high growth rate as compared to the rest of the world. The budget has been very good as an investment in infrastructure and agriculture will rise and this will spur rural demand." (PTI)