

Emami expects cost benefit from subdued mentha oil prices

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Emami, the Kolkata-headquartered fast-moving consumer goods company, expects lower raw material costs this season, due to subdued mentha prices. The company consumed material worth ₹715 crore in 2012-13. The commodity is around 15 per cent of the raw and packing material cost. "If mentha prices remain around current levels, our gross margins might see further improvement if the cost of other inputs remains stable," said Naresh H Bhansali, chief executive officer for finance, strategy and business development.

Edelweiss analyst Abneesh Roy said in a research note today, "The market price for mentha oil is ₹1,200-1,250 a kg and the cost for Emami was ₹1,450 due to contracts signed earlier. If current prices persist, the gross margin will improve 300 basis points, year-on-year."

India has a near-monopoly in production of mentha and mentha oil. In 2012-13, it pro-

duced 50,000 tonnes, against 38,000 tonnes in 2011-12. The current season's sowing is nearly complete and the crop is expected early next month.

A mentha oil exporter based at Barabanki, UP, where 80 per cent of all mentha is grown, said: "This year, sowing is higher by 15-20 per cent and oil production is expected at 58,000 to 60,000 tonnes." The oil price went as high as ₹2,700 a kg in July 2011 but has been falling since. It is now trading around ₹975 a kg in Barabanki and ₹1,005 a kg in Sambhal. "Prices are lower because of higher supply and lower domestic/export demand," said Bhansali.

Domestic demand is down mostly because of a ban on gutkha, a major consumer. In the export market, a couple of German companies and a Japanese company have introduced synthetic mentha oil. This sells at a 30 per cent discount to the Indian original oil in the international market. Synthetic oil makers are expected to cut prices further, said a UP-based exporter.