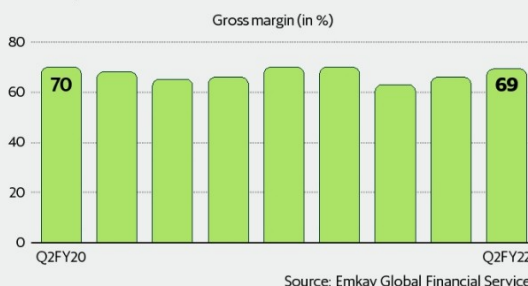


News monitored for: Emami Group

In repair mode

Higher input costs have weighed on Emami's gross margins in recent quarters.



SATISH KUMAR/MINT

Relief on margins expected to cheer Emami's investors

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The September-quarter earnings of Kolkata-based fast-moving consumer goods company Emami Ltd were largely in line with estimates. In Q2FY22, its consolidated revenue grew around 8% year-on-year (y-o-y) driven by 6.2% volume growth, including institutional business. Analysts said Emami's domestic volume growth showed the impact of a slowdown in demand for immunity boosters and higher base of balms in the base year. That said, some categories such as male grooming, Boroplus and Kesh King did well. On a two-year CAGR basis, Emami's domestic sales of 11% were ahead of most peers, noted Emkay Global Financial Services Ltd analysts. CAGR is compounded annual growth rate.

On the operating performance front, Ebitda margin was flat at 35%. However, gross margins declined 150 basis

points y-o-y due to higher input prices, despite a 3.5% price hike. One basis point is one-hundredth of a percentage point. In a post-earnings conference call, the management said input prices are likely to normalize and it expects a gross margin hit of not more than 80-100bps in Q3. Since most sectors have been battling cost inflation for quite some time, this bodes well for investor sentiment towards the stock. But that's not all.

There are some favourable factors that are seen aiding margins. "We remain cautiously optimistic on near-term outlook given early onset of winter in Hindi heartland bodes well for skin/healthcare portfolio even as slowdown in rural demand in select geographies raises some uncertainty," analysts at Prabhudas Lilladher said in a report.

Analysts are upbeat on the firm's rural distribution project Khoj, which has a presence in 5,200 towns/villages and is expected to reach 8,500-9,000 towns by the end of the year.

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