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Emami eyes 15% volume rise

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After a dismal performance in the June quarter of the current financial year, fast moving consumer goods company Emami expects 14-15 per cent volume growth for the remaining nine months. This means the company hopes to achieve 17-18 per cent revenue growth in this period.

Emami was hit more than many peers in the segment after the goods and services tax (GST) implementation. Over half of its sales are through wholesale channels, which had resorted to serious destocking. Sales volume fell, hitting revenue by 16 per cent and profit by 98 per cent. In the April-June period, it had a meagre ₹1 crore (₹57 crore in the same quarter last year) of net profit. Revenue in last year's June quarter was ₹645 crore; it came down to ₹541 crore.

"We are confident, going forward, on an overall year basis we will be able to grow in terms of net profit and top line (revenue). The GST has played a very big role in decline of the top line, due to destocking; the bottom line (profit) was the result of this reduction," said Harsha V Agarwal, director.

Analysts agree that underlying demand and channel restocking should mean healthy earnings in the coming quarter. "Restocking has started in all geographies and the wholesale (channel) recovered in the last 10 days of July," said one with brokerage Motilal Oswal.

Abneesh Roy, research analyst at Edelweiss Securities, is also optimistic about near-term performance. "I expect Emami to clock better growth, led by a robust innovation pipeline, being a key beneficiary of rural recovery and reducing overall reliance on the wholesale channel," he said.

R S Agarwal, chairman, told shareholders at the recent annual general meeting that the company had initiated a process to reduce its dependence on wholesale channels, and raising the emphasis on direct distribution. In 2016-17, the company increased its direct distribution by 100,000, to 730,000 outlets. This financial year's target is up to 800,000.

Harsha Agarwal says wholesalers were unsure about the GST impact, resulting in destocking. "The apprehension has reduced and the trade has gone up but will take some time," he said.

A second factor for its bad quarterly performance was stress on the international business. A report from HDFC Securities stated this business, owing primarily to political and related issues in West Asia and a reduction in channel inventory, suffered a 19 per cent decline on a year-on-year basis.

"On account of slow recovery in some geographies, we reduced (estimated) international business revenue's compounded annual growth to 15 per cent over FY17-20 against the 18 per cent projection earlier," said Naveen Trivedi, research analyst with HDFC Securities.

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	Net sales Q1 '17-'18 (₹ cr)	% chg (YoY)	Net profit Q1 '17-'18 (₹ cr)	% chg (YoY)
Hindustan Unilever	9,094	5.0	1,283	9.3
Colgate-Palmolive (India)	1,109.88	-3.0	136.38	8.5
Marico*	1,692.38	-3.5	235.94	-11.9
Emami	541	-16.0	1.04	-98.0

* Marico figures are on a consolidated basis

Source: Company Q1 results