

Inflation hits FMCG sector hard

Manufacturers of fast moving consumer goods (FMCG) are reeling from high inflation as their input costs have gone up while their sales have stagnated, says a leading industry group.

"With the prices of key raw materials increasing, FMCG companies registered a 16.2 percent rise in their cost of raw materials in three months ending March,' the Associated Chambers of Commerce and Industry of India (Assocham) Eco Pulse (AEP) has stated.

The annual rate of inflation touched a 42-month high of 7.83 percent for the week ended May 3.

FMCG majors Godrej and Marico registered a decline of 0.88 percent and 8.28 percent in their total income on sequential quarter basis, while Hindustan Unilever and Dabur managed to post a 15.72 percent and 16.47 percent increase respectively.

"The sector witnessed a decline of 15.38 percent in their net profits putting pressures on their volume growth, which grew by only 5.76 percent in Q4 2007-08,' Assocham president Venugopal N. Dhoot said in a statement.

The big dampener has been rising costs of key inputs wheat and milk, a rise that shows no sign of abatement. Wheat price rose 0.38 percent in Q3 and 1.13 percent in Q4 last fiscal. Milk price rose 8.84 percent in Q3 and 9.13 percent in Q4. Fuel and power cost rose 0.65 percent in Q3 and 5.06 percent in Q4.

Dhoot added: "Despite a 15.7 percent growth in its total income, Hindustan Unilever reported a decline of 39.41 percent in its net profit after tax in the fourth quarter as compared to Q3 of 2007-08.'

In Q4, Godrej Consumer Products Ltd (GPCL) spent 23.26 percent more on advertising and sales promotion than it had done in the previous quarter, but registered a decline of 5.11 per cent in its net earnings.

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