

Marico eyes 10% growth with focus on core business

FMCG giant continues to gain market share in 95% of portfolio

JHARNA MAZUMDAR

Mumbai

MARICO, a leading FMCG company, is eyeing volume recovery and maintain medium-term growth rates in the range of 8-10 per cent by growing its core business and rapidly scaling new products.

The direct distribution initiative of project outlet network expansion (ONE) is expected to fuel volume growths in the metro markets. Project ONE was conceived with an objective of increasing Marico's direct coverage in the top six metros. The project has increased direct coverage in these cities by 60 per cent. Incremental turnover coming through Project ONE is on track and is expected to do an annualised business of Rs 65-75 crore (\$10-12 million) by the end of FY16.

"The company has a robust innovation pipeline with multiple prototypes planned for the current year. Sustain efforts to premiumise in the value added hair oils category will further strengthen value market leadership. The business continues to gain market share in more than 95 per cent of the portfolio," said Saugata Gupta, managing director, Marico.

"The volume growth in India was at 6 per cent in April-June. The overall sales growth was driven by strong growths in the focussed rigid bottle segment of coconut oil and value added hair oil portfolio. The company believes that an operating margin for the domestic business in the band of 17 per cent to 18 per cent is



DESI DEMAND: Marico's rural sales continue to clock a faster pace of growth at 15 per cent as compared to urban sales which also grew at 8 per cent

sustainable in the medium term. The margin expansion would be led by softer inputs costs," added Gupta.

The company is in the process of expanding the coverage of Project One in the current year to next level of towns. The company plans to refresh and reconfigure its point of sale IT infrastructure and distributor management system. This would enable the company to improve visibility, sales force productivity and strengthen commercial controls.

These initiatives will help the business manage the increasing scale and range of more than 250 SKUs flowing through the distributors and retailers. As e-commerce takes off in India, the company has taken definitive steps to stay ahead of the curve and has identified and appointed dedicated resources for e-commerce, Gupta said. Ac-

cording to analysts, the company's volume has been improving in the last couple of quarters. Ashish Uggan-lawar, an analyst at Elara Capital, said, "Going forward, the company is expected to report improved volumes and margins as the softening of commodity prices is helping the company to improve sales by passing on the benefits to consumers. The volumes of the company has already been improving in the last couple of quarters"

Marico's rural sales continue to clock a faster pace of growth at 15 per cent as compared to urban sales which also grew at 8 per cent. In rural areas, incremental direct coverage provides an ideal platform to enhance the reach of the value added hair oils portfolio. The company has increased its direct rural reach by 25 per cent to 50,000 villages in the last two years.

"Though we haven't experienced slowdown in rural, future growth in rural will depend on monsoon in the season. The recovery in urban markets can be expected in the second half of FY16," Gupta added.

The estimated capital expenditure in each of the years — FY16 and FY17— is likely to be around Rs 100-125 crore (\$16-20 million). Marico markets well-known brands such as Parachute, Saffola, Hair & Care, Nihar, Parachute Advanced, Nihar Naturals, Mediker, Revive, Set Wet, Livon, Fiancée, HairCode, Caivil, Black Chic, Code 10, Ingwe, X-Men, and Thuan Phat. Marico's products are present in Bangladesh, other Saarc countries, West Asia, Egypt, South Africa, Malaysia, Myanmar and Vietnam.

jharnamazumdar
@mydigitalfc.com