

Dabur, Marico point to weak rural demand in Mar quarter

Consumers downgrade to cheaper packs as surging inflation chips away at their spending power

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Packaged-goods companies Dabur India and Marico Ltd pointed to weak rural demand in the March quarter as consumers downgraded to cheaper packs and brands in categories such as toothpaste to hair oil and shampoos as surging inflation chipped away at their spending power.

Dabur India's chief executive Mohit Malhotra said the company witnessed a liquidity crunch in rural markets in the March quarter. "We have seen a little setback coming in from rural. For us, in the past couple of quarters, our rural was always firing ahead of urban. However, what we found in this quarter is a liquidity crunch and demand compression in rural India. Therefore, our credit (cycle) has also gone up in rural India. Rural is the one which is not doing so well for us at the moment," he said.

The maker of Real drinks and Vatika shampoo draws 47% of its domestic business from the hinterland.

On Wednesday, Dabur India reported a 7.7% growth in consolidated revenue for the quarter ended 31 March. Net profit for the period declined 22% to ₹294 crore.

Meanwhile, Parachute oil maker Marico's domestic business reported a 5% growth in March quarter revenues, with 1% underlying volume growth. Rural demand was slightly behind urban during the quarter, the company said.

FMCG volumes declined 4.1% in the March quarter, companies said, citing industry data. This, they said, was largely on account of the high prices of everything from soaps to fuel. Rural demand has remained volatile since the September quarter.

Dabur reported year-on-year growth across most categories it operates in.



The volumes of fast-moving consumer goods declined 4.1% in the March quarter, the companies said..

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However, in an earnings presentation on Wednesday, it said categories such as toothpaste, hair oil, and shampoo reported an overall volume decline in the March quarter for the industry.

Malhotra said higher food prices and inflation were putting pressure on rural wallets. This was leading to consumers

However, he said things could look up over the next six months as rural incomes improve and expectations of a normal monsoon help lift demand. "The rural economy will turn around. There is an immediate pressure we are seeing in the near term. The rural economy should recover in about six months," he

company said. "We will closely watch rural growth and are hopeful of a recovery in demand in light of the good harvest season, normal monsoon forecast and government spending," it said.

Both also flagged high inflationary pressures that they said are unlikely to abate in the near term.

"Obviously, there will be input cost pressure. Having said that, we will try to grow ahead of the market and also gain market share. Number two, I think as far as copra is concerned that part, we are pretty reasonably okay," Gupta said during a post-earnings call on Wednesday. The prices of copra, a key ingredient for its Parachute portfolio, were down 9% sequentially and 31% year-on-year.

Malhotra also said the company does not see any sign of inflation easing. The company will wait for the competition to hike prices before taking any further pricing actions. Malhotra warned of near-term pressure on margins.

COST OF PRICE RISE

DABUR India saw a 7.7% growth in consolidated revenue for the quarter ended 31 March

MARICO'S domestic business reported a 5% growth in March quarter revenue

THE firms said the dip in volumes was due to the high prices of everything from soaps to fuel

RURAL demand was slightly behind urban during the quarter, the companies said

downgrading across categories. This was true for both urban and rural demand.

"Be it shampoo or hair oil, our price points of ₹10, ₹5, and ₹20 are doing significantly better than the larger packs with the exception of e-commerce and modern trade," he said.

said.

On the same day, Saugata Gupta, managing director and CEO of Marico, said the stress factor in rural was "high". In India, rising inflation levels, exacerbated by geopolitical tensions, continued to weigh on the overall consumption sentiment and more so in rural, the