

Open to acquisitions in international markets: Marico CFO Vivek Karve

Karve feels capability building is a challenge in all international markets because of the non-availability of the right level of competency among local talent.

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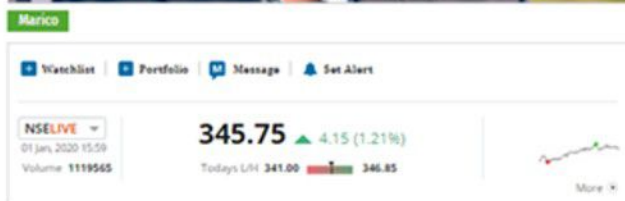
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Home-grown FMCG major Marico is open to inorganic growth in the international markets provided it comes at the right price, said Vivek Karve, Chief Financial Officer.

"Acquisitions are always welcome, but they need to come at the right price because we don't want to spend a fortune. So, we will be choosy when it comes to acquiring. If there is a tuck-in acquisition that helps us to shore up the top line as well as the contribution to the margin of the company then we would look at it," Karve told *Moneycontrol*.



In a tuck-in acquisition, the smaller company does not maintain any of its own original systems or structure after the acquisition.

Tuck-in acquisitions are usually executed in order to grow the acquiring company's market share or resource base. A tuck-in acquisition is sometimes referred to as a "bolt-on acquisition."



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In 2011, Marico had picked up 85 percent stake in the maker of Vietnam's top male-grooming brand X-Men for \$55 million.

Marico operates in Bangladesh, Southeast Asia, Middle East of Egypt, and South Africa.

In terms of growth, Karve is eyeing double-digit constant currency growth across core international markets.

"We have consistently seen double-digit constant currency growth in the last three years in Bangladesh and we believe this momentum will continue. In Bangladesh we have completed 20-years of our business,"

Karve said.

Constant currency growth refers to a top-line growth calculated excluding the impact of foreign exchange and currency fluctuation.

While in Vietnam, Karve said over a longer period of time Marico has witnessed growth in high single-digit in terms of constant currency.

Growth in Vietnam, Bangladesh

Among international markets, Bangladesh contributes 48 percent to Marico's international business, while South-East Asia (mainly Vietnam and Myanmar) contribute 25 percent to the company's international business.

Vietnam posted a growth of 1 percent in Q2FY20 in constant currency terms due to muted growth in the home and personal care segment.

The company launched a new range - shampoo, shower gel and face wash, under the brand XMen, aimed at converting the unisex users looking for functional benefits. The foods portfolio was steady and Karve expects to deliver steady constant currency growth in this geography over the medium term.

In Vietnam, within the food portfolio, Marico sells condiments such as fish sauce.

In Bangladesh, the business in Bangladesh grew by 15 percent in Q2FY20 in constant currency terms. Parachute Coconut Oil grew by 12 percent in constant currency terms on a weak base. With the category having matured in this market, Karve expects to grow this franchise in single digits on a constant currency basis over the medium term on the back of its dominant market share, distributive strength and consumption growth.

The non-coconut oil portfolio in Bangladesh grew by 21 percent and 25 percent in Q2 (July-September) of FY20 and first half (Apr-Sep) of FY20, respectively, in constant currency terms.

Karve said, in the next two-three years, Marico intends to bring down the contribution of parachute coconut oil portfolio in Bangladesh to 60 percent from 70 percent currently.

"The company will leverage its strong distribution network and learnings from the India market to quickly scale up its new product introductions in Bangladesh. With this, the contribution of the non-coconut oil portfolio may exceed 35 percent by FY22," Karve said.

Challenges

In terms of challenges in Vietnam, Karve said: "Vietnam being a very competitive market, the need for continuous brand building is much higher in Vietnam as compared to Bangladesh, where the competition from MNCs is relatively benign. In the food business (in Vietnam), because we as an Indian company may not fully understand the food habits of Vietnamese. So we need local expertise to create products which will cater to the taste profiles of the Vietnamese consumer."

Overall, Karve feels capability building is a challenge in all international markets because of the non-availability of the right level of competency among local talent.

Despite all these challenges, Marico is consciously driving localisation and to the largest has succeeded in Bangladesh.

"In Bangladesh, except for a handful of expat, most of the other leadership positions are completely manned by the local talent. There are quite a few expat from India who has occupied leadership positions in Bangladesh, but we are continuously investing behind capability building and hopefully over a period of time, those expat once they come back, local talent will take over," he said.