

Marico expects 'foods segment to be a ₹450-500-crore business by FY22'

We are innovating in categories like healthy foods; health and hygiene, says CFO Agrawal

ABHISHEK LAW

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Pawan Agrawal recently took over as the CFO of Marico Ltd. He succeeds Vivek Karve. Agrawal comes in at a time when the FMCG company has increased focus on its foods portfolio. Marico expects the foods business to be a ₹300-350 crore business by FY21. In an interview to *BusinessLine*, he spoke about consumer trends, business outlook, and re-worked food strategy. Excerpts:

Between Q1 and Q2 of FY21, what are the consumer trends?

One of the significant consumer trend is rising consciousness towards health, hygiene and need to boost immunity. In Q1, we participated in the hygiene segment and nearly 1.5 per cent of our turnover (for April - June) come from there. Sanitizers are already a cluttered market; but new offerings like Veggie Clean, disinfectant sprays, etc hold promise. If

the category relevance and consumer habit of a veggie or fruit wash is created, then it will be a sustainable medium-term trend. Marico also forayed into the immunity segment with the launch of Honey, Kadha mix and Turmeric milk mix, where focus is on coming up with differentiated offerings.

Secondly, in-home consumption continues leading to gravitation towards edible oils and healthy foods, especially in-between meals segment.

Consumers are value seeking; but they are opting for trusted leader brands. Core categories comprising leader brands like Parachute, Safola, Nihar etc are doing well. We continue to have consumer advantaged pricing and run attractive consumer promotions in recruiter packs.

Finally, e-commerce segment is picking up significantly. Marico made investments here and the contribution went up to 7 per



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CFO, Marico Ltd

cent in Q1FY21, up from 5 per cent in FY20.

How has distribution channels played out?

Because of heightened social distancing concerns, modern trade channels continue to be challenged. However, kiranas have come back strongly. Moreover, unorganised wholesale distribution channels continue to have their issues. Organised wholesale channels are gaining ground substantially.

In terms of performance, what is the outlook now?

April was a washout. Improvements began post May.

In Q1 (April to June), there was a volume de-growth of 14 per cent in India operations. But for two months - May and June - we saw 3 per cent volume growth. In Q2 - for July and August - further improvements happened in core category numbers. We hope to be in the green for the remaining part of the year, unless something unforeseen happens.

In terms of market share, we have gained in most categories. In 90 per cent of the portfolios we are number 1; or amongst the top two players in 95 per cent of the categories.

Marico is looking at premiumisation of offerings to improve margins. How will that play out?

Premiumisation was something we were driving in male grooming, VAHO (value added hair oil) and premium skincare. However, in the current scheme of things this will take a backseat. We will refocus on (premiumisation) the categories probably in FY22. At present, we are innovating in categories like healthy foods and health and hygiene. Given the lower dis-

posable incomes, it is very unlikely that consumers will upgrade at the moment.

Why did the company shift its strategy for the foods category, from niche to larger ones?

Base foods saw a 40 per cent growth in Q1 FY21 driven by oats. Categories under Safola - that include oats and savory oats - and new ones where we are getting in will be driving numbers. In these, there are either one or two players, or we have come up with differentiated offerings. Marico has consciously avoided cluttered segments.

We have also changed our stance in the segment. Previously, we participated in or were creating niche categories through Fittily Gourmet Range or Coco Soul. But we realised that it was difficult to build scale. So we began participating in the larger ones to build a viable food business model. But it does not mean Marico did badly in segments like meal replacement shakes, green coffee, virgin coconut oil and so on.

Food was a less than ₹200-crore business in FY20. It should be a ₹450-500 crore segment by FY22.