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INDIA'S GREAT MID-SIZE WORKPLACES

India's Great Mid-size Workplaces — Great Place To Work. India 2020

INSIDE: Interview RONOJOY DUTTA, CEO, IndiGo

RESILIENT INDIA INC.

Amid the Covid-ravaged tales of despair and ruin, there are examples of resilience across sectors. We look at some of them

Harsha V. Agarwal, Director, Emami

Suresh Narayanan, CMD, Nestlé

Sanjiv Puri, CMD, ITC

CK Ranganathan, CMD, CavinKare

Mohit Malhotra, CEO, Dabur India

Angshu Mallick, Deputy CEO, Adani Wilmar

Nisaba Godrej, Executive Chairperson & MD, Godrej Consumer Products

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A SURVEY ON THE IMPACT OF COVID-19 ON INDIAN INDUSTRY

COVER STORY / FMCG

TECTONIC SHIFT IN FMCG BUSINESS

Piling inventory, staggered output and a disrupted supply-chain have not been able to daunt the FMCG sector, which is now resurging and re-calibrating priorities

By Jyotsna Sharma & Ashish Sinha

DESPITE THE PANDEMIC, three things still remain true of the Fast Moving Consumer Goods (FMCG) sector in India. Firstly, it is the fourth-largest in the country's economy. Secondly, the organised market size stands at over Rs 4.2 lakh crore and is growing and thirdly, while urban India contributes a little over half, it is semi-urban and rural India that drives growth. What has indeed changed due to the Covid-19 pandemic, particularly in the initial days – from lockdown till mid-April – was a subdued consumer demand, increased need for 'personal care and personal

PHOTOGRAPH: SHUTTERSTOCK

"The pandemic taught us many lessons and presented opportunities to accelerate our innovation pipeline to stay not only relevant, but emerge stronger as an organisation"

HARSHA V. AGARWAL,
Director, Emami

hygiene' category, drastic decline in demand for beauty care products and perhaps, greater dependence on local *kirana* stores and greater trust in ecommerce.

Most organised FMCG companies responded to these changes in the on-ground situation after the initial shock of a countrywide lockdown. Now that most publicly traded FMCG companies have declared their results for the financial year (FY) 2019-20 and that of the last quarter (Q4 FY20 - January to March 2020), a picture emerges. It is a picture of recovery, increased consumption, rationalisation of product categories and points to the direction the industry will take over the next few quarters. Analysts say that the top ten FMCG companies generated free cash of over Rs 26,000 crore in FY20 despite the adverse impact of the pandemic in the second-half of March. With coronavirus cases on the rise, the market environment for FMCG companies are unlikely to change.

Adverse Impact

Covid-19 had an impact on one and all. Hindustan Unilever Limited (HUL), India's largest fast-moving consumer goods company, saw a challenging business environment with lower GDP growth and slowdown in consumption for FY20. "Given the disruptions to the supply chain arising from Covid-19 in March 2020, for the full year 2019-20, domestic consumer growth was two per cent, with underlying volume growth of two per cent," said Sanjiv Mehta, Chairman and Managing Director, HUL, in the company's latest annual report.

Despite the challenges, HUL's net profit for FY20 was up 11.48 per cent at Rs 6,756 crore while sales were up 1.44 per cent at Rs 39,136 crore. It generated over Rs 9,600 crore as 'cash from operations', up Rs 1,357 crore over the previous year. While food and refreshments saw profitable growth, performance in the beauty and personal care division was impacted. Hindustan Unilever's cost saving programmes delivered it a welcome seven per cent gross savings in its turnover last year.

Sanjiv Puri, Chairman, ITC, recalled that the lockdown seemed like "an impossible task" but thankfully optimism prevailed when the top-brass of ITC realised that they would be able to sail through it. This Kolkata-headquartered diversified business conglomerate generated a gross revenue of Rs 46,323.72 crore that saw an increase of 2.4 per cent over last year despite tough market conditions. Its Profit-after-Tax grew 21.4 per cent to Rs 15,136.05 crore, aided by reduction in corporate income tax rates during the year.

The FMCG business of ITC had a significant contribution as it recorded a five per cent growth in revenue – Rs 12,844.23 crore – over the previous year (on comparable basis, excluding the Lifestyle Retailing Business), the company said. Before the outbreak of the pandemic, the FMCG-others segment was on track to register a double-digit revenue growth for the fourth quarter, on a comparable basis, it said after the results. "ITC responded to the challenges with agility, speed and resilience, together with a structured process of proactive planning, to operate in the 'new norma'," said B. Sumant, Executive Director, ITC, speaking to *BW Businessworld*.

Mohit Malhotra, CEO, Dabur India, recalled how Dabur had surged forward on its growth track in the

"ITC responded to the challenges with agility, speed and resilience, together with a structured process of proactive planning, to operate in the 'new normal'"

B. SUMANT,
Executive Director,ITC Limited

first two months of Q4 FY20, with its quarterly revenue from operations growing by 4.5 per cent till February-end. "Covid-19 outbreak and the resultant lockdown significantly impacted our business in the month of March 2020, due to which the Q4 revenue ended with a 12.3 per cent decline. For the full year 2019-20 too, Dabur was on track to deliver a six per cent revenue growth and 13.8 per cent growth in net profit but for the pandemic," he added.

Nestle India Chairman and Managing Director, Suresh Narayanan, said Covid-19 has had a profound impact on the pace, channel, texture and frequency of consumption, across a variety of segments in FMCG. "There is a re-calibration of the consumer wallets taking place where 'essentials' are taking precedence over 'luxuries' however affordable they are. We are in for tectonic shifts in FMCG and the story is still unfolding," Narayanan added.

Another diversified business entity, Emami, saw a dent in its FY20 revenues owing to the pandemic. The revenue for the full year stood at Rs 2,655 crore, showing a marginal drop of one per cent due to a 17 per cent decrease in Q4 FY20 numbers. "Tight cost control measures helped improve gross margins by 130 bps (basis points) at 67 per cent and despite one-time write-off amounting to Rs 11 crore, Emami generated a cash profit at Rs 639 crore that grew by two per cent during the year," the company has said in a statement.

Harsha V. Agarwal, Director, Emami said, "We strongly believe that even an adverse situation presents an opportunity. The pandemic taught us many lessons and presented opportunities to accelerate our innovation pipeline to stay not only relevant, but emerge stronger as an organisation."

After the initial lockdown, panic

SURESH NARAYANAN, CMD, NESTLÉ INDIA

'STORY IS STILL UNFOLDING'

How has Covid-19 impacted your sector?
There is a new word that has been added to the lexicon of consumer needs in the pandemic, which is "Immunity" for self and the family. A re-calibration of consumer wallets is taking place where "essentials" are taking precedence over "luxuries however affordable" they are. We are in for tectonic shifts in FMCG and the story is still unfolding!

What has been the impact on Nestlé India?
For the last 10-quarters without fail, including the first quarter of this year, Nestlé India has recorded double digit value growth and has also recorded about 8-10 per cent volume growth. For us, volume growth is still important and will depend on how the base levels of demand revive.

Did you launch any new products during this period?
We have recently launched a new Maggi range as an addition to our noodles family – Yummy Capsica, Chatpata Tomato and Desi Cheesy. For the first time, consumers can taste and vote for India's new loved taste, by logging onto our website www.Maggi.in.

In the post Covid -19 era what segments do you think will drive demand?
The coronavirus pandemic has led to certain changes in consumer behaviour, which going forward can create a host of new opportunities for Nestlé India. There is an increase in in-home indulgence; consumers are experimenting with new forms of cuisine. Alongside this, Covid-19 has also led to enormous concern for nutrition, quality and safety of brands and products among consumers.

Your views on layoffs – how to remedy this?
During tough times, such as the relentless lockdown, we at Nestlé India had one paramount concern – the safety and security of our people. I have said this before, but fervently believe every word, that, "In a crisis you do not run a company; you serve a family". BW

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Photograph by Ritesh Sharma

MOHIT MALHOTRA, CEO, DABUR INDIA

'ECOMMERCE IS THE FASTEST WAY TO REACH CONSUMERS'

Which segments will drive demand in the post Covid-19 era?
I feel, the importance of personal hygiene and preventive healthcare, particularly with Ayurveda, will grow in the consumer mind space. I feel healthcare will gain as consumers seek more of it.

What lessons have been learnt from this pandemic?
Prior to Covid, we were highly dependent on pre-season loading. Because of the lockdown disruption and our focus on healthcare products, we could not do this at the end of 2019-20, and this reflected on our results for the year. Now, we have reduced that dependence and are becoming more disciplined about it.

Given that the world has moved online in a big way, how does that affect you?
E-commerce is today the fastest mode to reach out to consumers, particularly with the lockdown in place. This is the reason we chose to launch several of our new introductions through the ecommerce route. That said, the neighbourhood *kirana* stores have again gained relevance in the minds of consumers during this period and this will continue post-Covid-19.

Your views on layoffs and job losses suffered – how to remedy this?
At Dabur, we have been clear of one thing: that there would not be any lay-offs, furloughs or salary cuts. This decision was taken to create a secure working environment. We also did not cut back on new hiring, both from campuses and lateral hiring. We, in fact, honoured all our commitments with respect to placement offers made to B-School graduates for our Management Trainee programme and the Young Sales Leadership programme. We have hired 15 fresh graduates for our Marketing and Sales requirements, and they are undergoing online induction and training through the virtual mode. BW

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"While the FMCG sector is better placed than other sectors, I believe the annual growth will be sharply lower than in the past,"

ANGSHU MALLICK,
Deputy CEO, Adani Wilmar

buying by consumers led to an increased demand for various essential products, especially household items and groceries. "While the FMCG sector is better placed than other sectors, I believe the annual growth will be sharply lower than in the past," said Angshu Mallick, Deputy CEO, Adani Wilmar, one of the fastest growing food FMCG companies in India and a joint venture between the Adani Group and Wilmar International of Singapore.

Adani Wilmar clocked a total revenue of Rs 28,000 crore in FY19 of which Rs 18,000 crore came from its consumer business. Its 'Fortune' brand is estimated to be worth over Rs 14,000 crore and is one of the leading brands in the packaged cooking oil segment.

C. K. Ranganathan, Founder-Chairman, CavinKare, a diversified FMCG company headquartered in Chennai, confessed that due to subdued consumer demand, economic slowdown and then Covid, FY20 revenues for the company remained more or less similar to the previous year's numbers of around Rs 1,800 crore. "In April, we did only half of the

Photograph by Himanshu Kumar

business compared to April last year. In May, the percentage improved to 70 per cent of the business done in May 2019. In June, we hope to cross 80 per cent. Minus some categories and verticals, we have managed to cope and work around the pandemic," said Ranganathan.

The Q4 FY20 for Godrej Consumer Products (GCPL) saw its India sales decline by 18 per cent to Rs 1,089 crore while volumes declined by 15 per cent. Secondary sales (sales from distributors to retailers) also dropped by 11 per cent.

Tackling Covid-19

Push for Hygiene: Sensing greater demand in the personal hygiene category, all players in the FMCG space not only increased production of hand-sanitisers, but also reduced retail prices. Those who did not have sanitisers in their portfolio quickly added it. These include leading brands like Lifebuoy (Hindustan Unilever), Dettol (Reckitt Benckiser), Savlon (ITC), Himalaya, BoroPlus (Emami) Protekt and Cinthol (GCPL), CHIK, Nyle (CavinKare), Sanitize (Dabur), Nycil (Zydus) and many more. "We are clear that hand wash as a category will stay because it has become a habit and even sanitisers," said Ranganathan.

Emami also recognised the importance of health and hygiene, which was the need of the hour and launched BoroPlus Advanced Anti-Germ Hand Sanitizer in April. This was followed by the launch of an Ayurvedic Sanitizer under the Zandu brand.

"In April, we did only half of the business compared to April last year. In May, the percentage improved to 70 per cent of the business done, in May 2019 ..."

C. K. RANGANATHAN,
Founder-Chairman, CavinKare

The company has recently expanded the BoroPlus range of hygiene products to antiseptic and moisturising soaps and handwashes.

Godrej Consumer Products (GCPL) responded to the Covid-19 situation by reducing the price of the Godrej sanitiser (50 ml bottle) 'in public interest' and in line with 'government regulations' from Rs 75 to Rs 25, despite the rise in input cost by 30 per cent. The company decided not to increase soap prices due to the coronavirus crisis. "We are planning for some very disruptive products as we have done in other categories. In fact, we are targeting for almost five per cent of our revenue in Q1 FY20 to come from hygiene," Nisaba Godrej, Executive Chairperson & MD, Godrej Consumers Products had said during a call with analysts in mid-May. Godrej said there will be a strong demand for "at least 70 per cent" of the company's product portfolio. "We are thinking of 'Hygiene' (as a category) very aggressively," she had said in mid-May.

Value Packs: 'Small is large' now. With the lockdown, salary-cuts, job losses and low consumer sentiments, FMCG players are also pushing value-packs. "Our ratio of consumer packs and bulk packs has changed from 65:35 to 85:15 now. This is because we are seeing more people buying smaller packs," said Mallick of Adani Wilmar. Other FMCG firms also anticipate that consumers will now look for value packs. "You will start seeing the smaller packs starting to do better," predicted Narayanan.

Ecommerce & *kirana*: There is a clear shift in channel dynamics. "We ourselves have witnessed the contribution of ecommerce going up significantly, while the out-of-home sector has not done well. The channels are undergoing sharp change," said Narayanan at Nestle India. The good old *kirana* shops will also play an important role, as they will have location advantage, service to home delivery advantage, assortment advantage and credit advantage. If there is a lockdown in the future, you can run down to them and get whatever you want. "The old *kirana* stores will become a friendlier place to shop because of social distancing, sanitisation and hygiene norms," he said.

Malhotra of Dabur said the neighbourhood *kirana* stores have gained relevance in the minds of consumers. "This will continue in the days post-Covid too," he predicted. But e-commerce is today the fastest mode to reach out to consumers, particularly with the lockdown in place. "This is the reason we chose to launch several of our new introductions through the e-commerce route," said Malhotra. BW

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