

Marico bets on male grooming, premium oils, food for growth

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MUMBAI

Edible oil maker Marico Ltd has identified so-called superpremium edible oils, male grooming products and foods to drive growth in the next three years.

"These will be our groundwork for growth in the next few years. We need to improve our innovation track. We will stay invested in these three for the next 2-3 years," managing director and chief executive officer Saugata Gupta said in an earnings call on 3 May.

In April, Marico launched its first olive oil offering, Saffola Aura, which is blended with flaxseed oil to provide Omega 3 fatty acids and anti-oxidants for healthier cooking. The brand is positioned in the super premium range with a 1 litre bottle priced at Rs1,150. In comparison, brands like Del Monte, Figaro and Leonardo are priced Rs400-600 cheaper for a 1 litre bottle.

"With Aura, I don't see why Saffola won't grow by 10% (in volumes)", Gupta said in the earnings call. "We will see more action in super premium with Aura coming in. A brand



Marico MD and CEO Saugata Gupta. ABHIJIT BHATLEKAR/MINT

growing at 8-10% in volumes is not a bad performance."

In the quarter ended March, sales of Saffola edible oils grew 6% by volume as Marico extended the category with Aura. As per Gupta, the olive oil market is worth Rs800 crore and has been growing about 25% year on year.

Marico will stay away from lower-priced olive pomace oil and focus on the refined olive oils ideal for cooking, he said.

"Saffola Aura is the right move to make, because premiumization is the way to go for Marico", said Abneesh Roy, senior vice-president at Edelweiss Securities. "They are doing the right thing by selling a blend of olive oil and flaxseed oil, and not calling it olive oil."

"The only issue is price; the product is very expensive", Roy said. "This is also a premium, niche market, so they will have to decide how to allocate ad spends, perhaps through niche marketing channels."

Analysts say Marico has to focus on Saffola because its growth has begun to taper off.

"When Saffola started, it saw 18-20% volume growth", Sachin Bobade, senior analyst at Dolat Capital, said. "But now it has been reduced to single digits. This is the only concern right now. With Aura, it will be able to acquire more market share in the edible oil category on the more premium side of the market."

Gupta is also looking to

boost Marico's growth in the "youth brands" that currently include men's styling brand Set Wet and women's conditioner brand Livon. In March this year, the company acquired a 45% stake in male grooming start-up Beardlo that sells men's hair, facial hair and skincare products for an undisclosed amount.

"For male grooming and hair, e-commerce can be a good channel," Gupta said. "We have just started this process and we will be able to double sales from e-commerce this year," he said, adding that more than 10% of sales of the "youth brands" category will come from e-commerce.

Gupta also said that Marico was testing out "prototypes" of new products on e-commerce websites. "We are already prototyping virgin coconut oil with a partner," he said.

Analysts tracking the company say Marico will need major innovation to revive growth in its food category, in which currently the company offers its range of Saffola oats.

"Saffola oats has seen a lot of competition, but they are trying their best to get maximum market share in the category," Bobade said. "Marico was not the first mover, but they have caught up well. They are still in the experimentation and trial phase. It takes time to build a category and oats is something that appeals only to consumers that are health conscious or looking to lose weight."