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Marico eyes stronger presence overseas

FMCG major diversifies portfolio in global markets

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With its international business witnessing good growth, home-grown FMCG company Marico is eyeing a stronger footprint in core foreign markets such as Bangladesh, Vietnam, West Asia, and North Africa and South Africa.

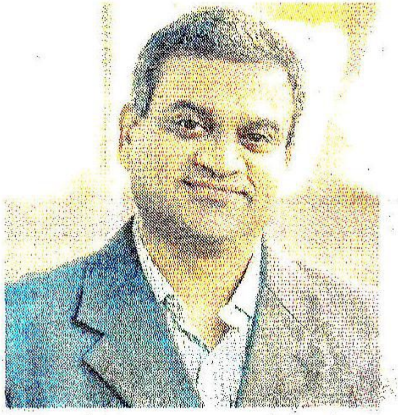
"All geographies have done well except for South Africa where there are macro headwinds," Vivek Karve, Chief Financial Officer, told *BusinessLine*, adding that Marico was "eyeing double-digit constant currency growth across core international markets." Constant currency growth refers to a top-line growth calculated excluding the impact of foreign exchange and currency fluctuation.

In Q2 of this fiscal, the international business witnessed an 11 per cent constant currency growth (translating into an 18 per cent year-on-year growth in value terms).

Profit before interest and tax to sales improved on a y-o-y basis, from 15.8 per cent in Q2 FY17, to 17.3 per cent in Q2 FY18 and to 17.7 per cent in Q2 FY19.

Improved performance

According to an Edelweiss Securities report, international business in South-East Asia (mainly Vietnam and Myanmar) recovered to grow by 14 per cent.



Vivek Karve, CFO, Marico Ltd

Vietnam, which was lagging for nearly five quarters because of issues relating to the 'route to market', witnessed a double-digit growth, while in Bangladesh, another key market, the topline grew by 10 per cent y-o-y (volumes up 3 per cent), in constant currency terms.

Both Egypt and the West Asian businesses posted double-digit volume growth during the quarter. Business in the MENA region too witnessed double-digit growth, for four quarters in a row, the report stated.

Diversifying portfolio

According to sources, Marico has been diversifying its product portfolio in core international markets for quite sometime now. Strategic investments were made and these are now paying off.

For instance, in Bangladesh, it "de-risked" the portfolio. From a coconut-oil only portfolio (driven by Parachute), it started pushing in a mix of non-coconut oil offerings. The mix of non-coconut oil portfolio has gone up from 20 per cent in FY16 to 26 per cent in FY18. And, according to Karve, it is likely to become 30-35 per cent over the next 2-3 years. (The non-coconut oil portfolio grew by 40 per cent year-on-year in constant currency terms.)

Similarly, in Vietnam, it entered the female grooming segment with a brand called 'Sedure'.

In Myanmar, the company extended the scope of its value-added hair oil, while in the Gulf it introduced coconut oil and tonic products under the Parachute franchise.