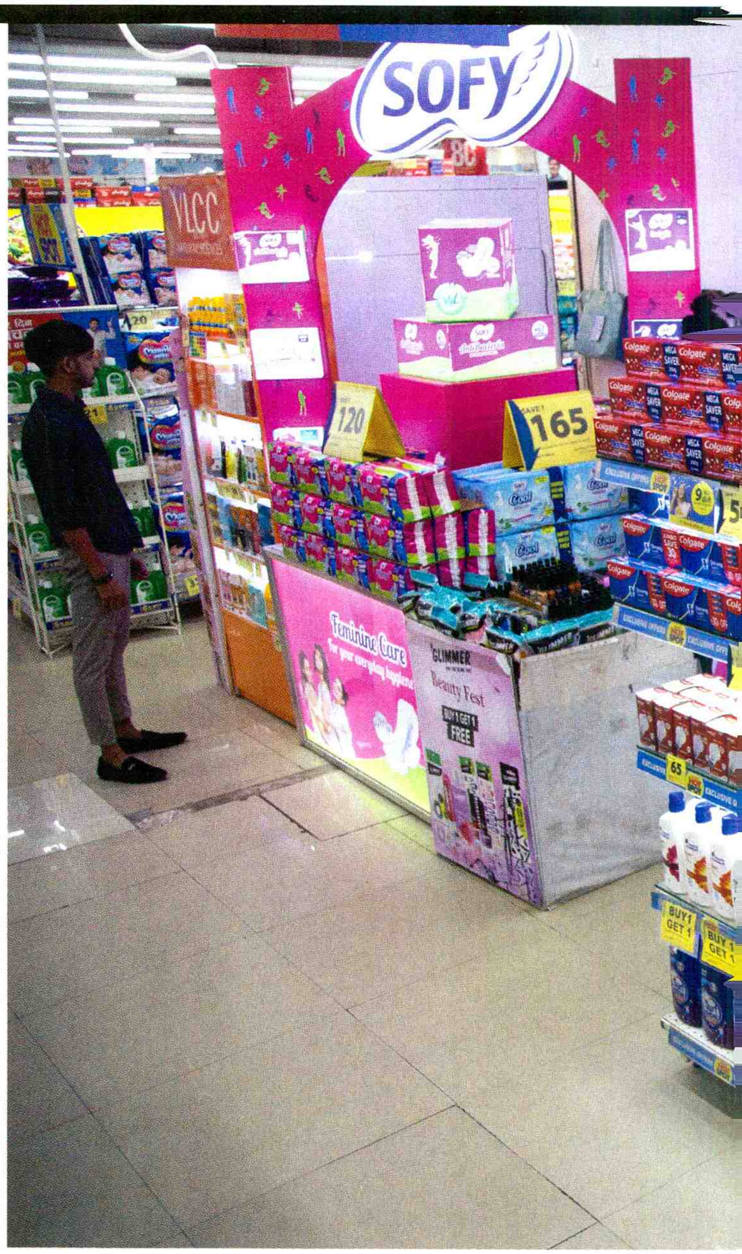
FMCG'S MIDDLE ORDER PLAYS STELLAR INNINGS

With a strategy which seeks to close the gaps left by the big players, India's mid-sized FMCG companies have found their sweet spot.

By Ajita Shashidhar



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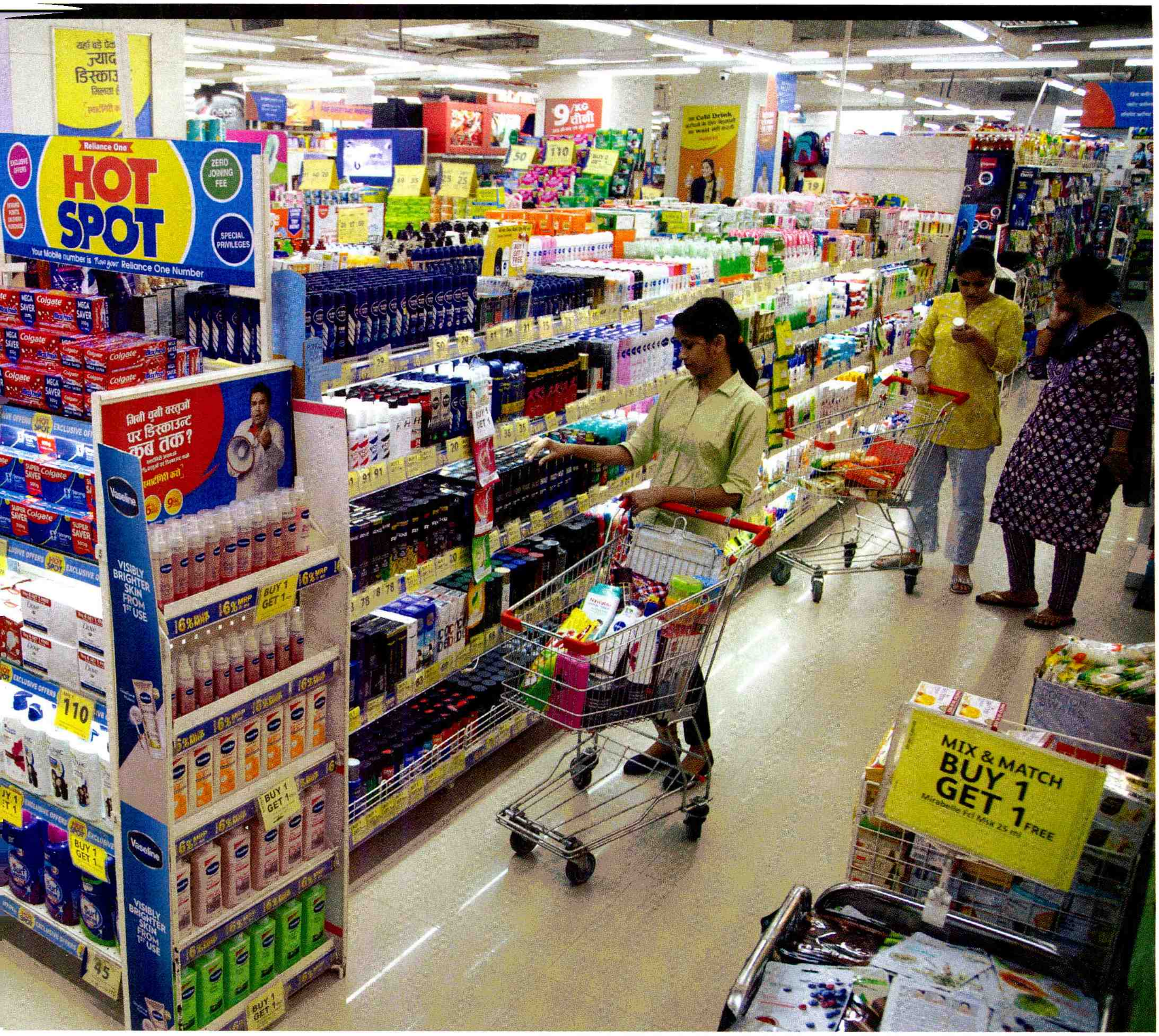
KOLKATA-HEADQUARTERED Emami recently celebrated 50 years of existence. It was in 1974 that founders Radheshyam Agarwal and Radheshyam Goenka quit their corporate jobs to launch a cosmetic company at a time when the likes of Hindustan Unilever and Dabur ruled the roost. Despite tough competition, their products, Emami Talcum Powder and Emami Vanishing Cream, became popular, particularly in eastern parts of the country. The entrepreneur duo,



however, realised that in order to get scale, they needed a product portfolio that was different from that of the biggies. This led them to launch products such as Navratna hair oil, which they positioned as therapeutic and enabler of long and black hair. They also launched Fair and Handsome, the first fairness cream for men, and eventually forayed into ayurvedic products with Himani Sona Chandi Chyavanparash.

"Revenue, along with good profitability, is what we have always believed in. That's why we have always focused more on niche categories. The category might not be very large, the penetration might not be deep, but we are market leaders. This has worked for us," says Agarwal's younger son, Harsha Agarwal, MD, Emami. In last decade, the company has acquired a host of niche brands such as Zandu, Kesh King and Dermi Cool. The ₹3,400 crore company has one of the highest EBITDA growth rates in FMCG sector, says Agarwal.

Just like Emami, most mid-sized FMCG companies are grappling with the challenge of creating such USP. They not only have to fight large players but also regional brands, which have, in last two-three years, grabbed market share from biggies and can't be taken for granted. While regional brands are strengthening presence in mass categories such as detergents, soaps and food products, the bigger companies are eyeing value growth

PHOTOGRAPH BY **SANJAY RAWAT**

FMCG SECTOR PERFORMANCE

Sector Rank 2024	The Next 500 Rank 2024	COMPANY	TOTAL INCOME		PROFIT/LOSS	
			₹ Crore	YoY change %	₹ Crore	YoY change %
1	6	Emami	3,438	3.29	640	-23.77
2	9	Heritage Foods	3,427	27.57	58	-39.96
3	31	Radico Khaitan	3,248	12.82	220	-16.29
4	32	HMA Agro Industries	3,248	3.14	120	4.93
5	46	Dalmia Bharat Sugar & Industries	3,101	NAP	250	NAP

NAP For Dalmia Bharat Sugar & Industries As Numbers Are Not Comparable; Standalone Numbers Are Available For Latest Year, And Consolidated Numbers For Previous Year

through carefully planned premiumisation. For example, over 35% of HUL's revenue comes from premium portfolio, while 60% of Nestle India's growth in last few years has come from premiumisation. This has made it imperative for mid-sized companies such as Emami, Parag Milk Foods, Orkla India, Bikaji and Jyothy Laboratories to focus on niche areas. Parag Milk Foods' focus on value-added dairy products such as cheese, whey protein and farm-to-home milk brand 'Pride Of Cows' led to 61% growth in revenue (₹3,000 crore) in FY23. The ₹1,985 crore snack manufacturer, Bikaji Foods, registered 22% growth in revenue; a large part of the growth came from traditional Indian sweets. "During festival season, demand for traditional Indian *mithai* exceeded our capacity. We started working with national retail chains like DMart and Reliance and made special packs for them. Even premium sweets such as *kaju katli* have done extremely well for us," says Manoj Verma, COO, Bikaji Foods.

The Strategy

According to Akshali Shah, executive director of ₹3,000 crore dairy company Parag Milk Foods, the company's biggest advantage is its integrated business model. "After Amul, we are the only dairy company with national presence. We have our own farm where we have 5,000 cows. We also procure from over five lakh farmers. We have our own processing unit, our own distribution channel, and we are a multi-brand company. We are able to sell milk at different price points- regular pouch milk at ₹60-65 per litre; value-added milk with longer shelf life at ₹92-100; and farm-to-home brand Pride of Cows at ₹130 per litre. We are able to sell across the strata."

Dairy is largely a local business in India. While the likes of Nestle and Britannia sell value-added products across the country, their dairy portfolio is a small part of their business. Parag is a pure-play dairy company which earns 80% revenue from value-added products. While its biggest strength is ghee and cheese (where it is close No.2 with 34% market share against Amul's 36%), it is also building its equity in new-age categories such as whey protein under the brand Avvatar. Unlike most farm-to-home milk brands which cater to consumers within a radius of 100 kms, Parag is selling Pride of Cows in six cities and intends to go national. It also plans to introduce gourmet cheese, curd and ghee under the brand. Value addition was a great help during Covid, says Shah. "During Covid, we increased our procurement by almost 20%. We could get additional milk as most dairies had stopped procuring. As most people were at home, there was a lot of demand for products such as cheese and ghee. Our sales jumped over 48%." Newer categories such as premium milk and whey protein contribute 15% to revenue. Shah expects this to grow to 25% in next couple of years. Cheese and ghee account for 50% revenue.

Mid-sized brands are also going big on deeper local distribution. MTR Foods is a household name in South India, especially Karnataka. In 2007, the 100-year-old brand was bought by Norwegian industrial investment company Orkla ASA. Apart from MTR, which contributes 48% to the ₹2,200 crore Indian arm of Orkla ASA, the company acquired masala and spices brand Eastern Condiments in 2022. Though Orkla brands have a nationwide presence, the company has been aiming for deeper penetration into local markets. The home market of MTR, for instance, is Karnataka, and it has made sure its traditional portfolio of sambar and rasam powders, puliodarai mix (tamarind rice) and rava idli mix is available in as many as 3,000 villages in the state.

Sunay Bhasin, CEO, MTR Foods, says apart from traditional offerings, the brand has reinvented itself

Most mid-sized FMCG companies also have to fight regional brands, which have grabbed market share from biggies

to appeal to Gen-Z and millennials with offerings such as a three-minute breakfast range, a millet portfolio and short-life chilled products like batters, akki roti (a Kannada breakfast favourite made from rice flour) and paranthas. Bhasin is especially upbeat about 'single-use' traditional Indian sweets such as mysorepak, chocolate burfi and balushahi at ₹5-10 price points. "The idea is to democratise Indian sweets," says Bhasin, who says demand for such convenience products will rise with more and more Gen-Zs and women entering the workforce.

MTR is not alone. Take LT Foods. While the average Indian consumer isn't brand conscious while buying rice, many associate basmati with LT's brand Daawat. Ashwani Arora, MD at LT Foods, wants to get premium Indian consumers to look at brands beyond basmati. While specialty rice varieties such as basmati and jasmine (which sells primarily in U.S.) account for 80% of the company's ₹7,000-odd crore revenue, it has forayed into regional specialities such as sona masuri, kolam and govind bhog. The company is also strengthening its presence with ready-to-cook rice-based meals such as Daawat Biryani Mix. "The new-age Indian consumer is gradually moving towards ready-to-cook. We are accordingly developing a new product portfolio. Our strategy is to gain scale, come up with a high-margin product mix and bring efficiency through digitisation," says Arora. None of the big food companies (other than Adani Wilmar) who have centre-of-plate food ambitions are considering branded rice; Arora sees that as a huge opportunity.

Be it LT Foods, Orkla India or Emami, most mid-sized players get 10-15% revenue from international business. They are getting ambitious too.

Aiming High

With a differentiated product portfolio, these mid-sized FMCG companies are carefully closing the gaps left by their larger peers. All of them want to become large conglomerates. "Our ambition is to become a ₹10,000 crore dairy major within four-five years," says Shah of Parag Milk Foods.

Agarwal of Emami is making strategic investments in new-age startups. The idea is to invest in categories where he sees a future and gradually keep increasing stake and acquire the companies after a few years. His first such investment was in male grooming direct-to-consumer brand, The Man Company, in 2017. "We are now invested in five segments—premium men's grooming, premium personal care products (The Man Company and Brillaire), pet care (FurBall Story), nutrition (Tru Nativ) and a company which makes healthy juices, Alofrut."

Mid-sized FMCG companies are undoubtedly putting up a stiff challenge to their larger counterparts. The latter certainly can't afford to ignore these challenger brands. ■