

India's FMCG market is underdeveloped and the potential therefore is huge: Harish Manwani

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Harish Manwani, former chairman, Hindustan Unilever, believes there is always light at the end of tunnel in the Indian market, particularly with in the FMCG sector. Edited excerpts:

When you look over the last couple of quarters, businesses have had their ups and downs, we have seen volumes being impacted across the industry as we speak. Do you see light at the end of the tunnel, and do you see value as well as volume growth both picking up?

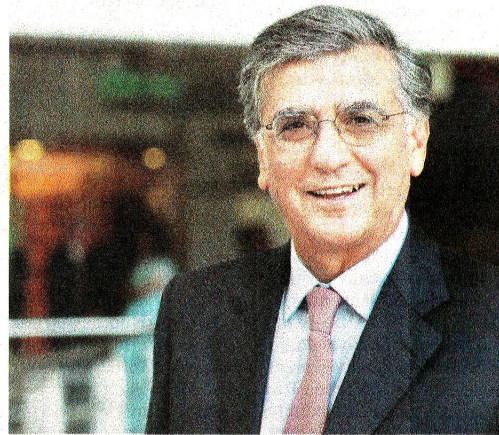
I think maybe I am an eternal optimist but I have always believed that in India there is always a light at the end of the tunnel. I think the question is how long is the tunnel. India is a market, particularly from an FMCG point of view, where we are relatively underdeveloped in terms of our consumption

and I think the potential therefore is huge in every single sector and segment. So I feel very bullish medium to long term about the outlook for the industry.

Clearly there will be some issues from time to time in the short term. If you look at where we are today, generally there are signs of a pickup. Obviously in India and for the FMCG sector, rural is critical. Hopefully if you have a good monsoon, which it looks like we are going to have, and some of the benefits of all the various schemes that are going on in the rural areas and also if you like the impact of GST, I think if you combine all this, we could see a pickup in demand.

We are beginning to see signs of that and I feel very hopeful that things will look better and certainly in the medium to long term I feel very positive about the outlook for the industry.

How long are we away from pre-GST growth levels? Is there maybe



Harish Manwani, former chairman, Hindustan Unilever.

two years, three years, do you think at the end of this financial year we could be back to pre-GST levels in terms of growth for the industry?

When you talk about pre-GST, you are talking about a

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certain phase. Remember there was another phase before that. Business has cycles at the end of the day and I think the important thing is

where are we in that cycle and how long will that phase last. To my mind, we are actually

now entering a phase where I feel optimistic that we should be getting into a higher growth phase than we have seen.

Having said that, I do not know whether there are going to be pre-GST levels or higher or lower. However, I would not worry about that because at the end of the day, if you spend all your time trying to forecast this to the last percentage, I think it is a waste of time. It is better to focus on giving consumers what they want and, importantly, we are market leaders in many categories and so we also have to drive market development and we are absolutely clear about that. We need to make sure that we drive market growth in some of the categories. So if you take for example some of the personal care categories, we have always been market builders, we are market makers, we don't just go for market share, we try to make markets.

The FMCG market has been no stranger to competition. Companies

have constantly been trying to protect their turf, defend themselves against competition. You have seen many trade wars panning out in the course of your journey. In the Indian market what is your first reaction to this whole Ayurveda disruption that happened in the Indian market?

Again I just want to remind you, this is not the first time that a new competitor enters the market. This is not the first time that we have seen a particular consumer trend in the market.

That is the joy of doing business particularly in the consumer goods market because there are trends, there are macro trends and then there are new competitor. We like that; that is what keeps us alert

and that is what keeps us agile. So when you talk about this trend towards naturals and Ayurveda, of course we recognise that. It is an important trend, consumers want it, and it is part of our whole global trend of wanting to buy fresh and natural. This is part and parcel of a very important global trend and in India also

we have seen that now manifest itself in terms of new products.

We ourselves are very clear, we have to be part of this opportunity and we are seizing that opportunity in multiple ways. First, through ensuring

that we can use some of our own current brands to create if you like more natural variants around it which we have done whether it is in our toothpaste or our skincare products. We have got Ayurvedic versions, we are trying to launch specific

brands that we believe can cater to this segment. Indulekha is flying off the shelves, doing extremely well.

Do you think this whole threat of an Ayurvedic disruptor has blown over because businesses have come to terms with that kind of focus towards the natural segment now.

It is not about competitors. It is more about the consumer and the trend. I think the trend exists in the market.

It is not gone away; if that is what you are asking me, we have the same narrative to tell you that we had last quarter and the quarter before. Of course this is a trend; now whether that trend kind of—the growth rate in that segment slows down or not, we will see. However, we are assuming that there is a trend in the market and we need to make sure that we are very much part of it and in some instances actually leading that trend.

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