

India business reviving, but growth uneven: Global CEOs

Coke an outlier as India drags its bottling business down 10%

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Mumbai/New Delhi, 22 October

Chief executive officers (CEOs) of some of the world's top consumer goods companies like Unilever, Reckitt Benckiser (RB), Nestlé and PepsiCo have said their India operations normalised in the September quarter as the country eased almost all restrictions.

However, there was one exception, Coca-Cola, which saw a 10 per cent drop in its bottling business in the quarter, dragged by India and South Africa.

For other firms, growth was trickling back though it remained uneven across categories, with segments such as food, health, hygiene, and nutrition ticking up and discretionary categories showing weakness. This comes as consumers remain largely uncertain about their future amid salary cuts and weak job prospects, and with the Covid case tally continuing to be high.

"We've seen a revival in business as economic activity has picked up in India," Alan Jope, chief executive officer of Unilever, said on Thursday. "The India business has registered low single-digit growth, led by food and refreshments and hygiene products. We are moving from response mode to living with the virus and we continue to invest on big brands, big markets and big innovations," Jope said.

India is Unilever's second-largest market by value after the US, contributing nearly 10 per cent to global sales. Essential categories, which constitute 80 per cent of the India business, grew 10 per cent in the quarter, while discretionary and out-of-home categories, accounting for 20 per cent of business, declined 25 per cent each.

Laxman Narasimhan, CEO of RB, said he was pleased with the progress the India business was making. Though the new Covid-19 case tally has reduced compared with the previous month, the country remains a just rung below the US in terms of total cases at 7.7 million.

"Our markets have been redefined by the pandemic. Dettol has been a renowned brand for decades and we launched it in 19 new markets during the quarter," Narasimhan said. All four RB brands in India — Dettol, Harpic, Lysol, and Durex



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ALAN JOPE,
CEO, Unilever



"Dettol's been a renowned brand for decades and we launched it in 19 new markets during the quarter. All four RB brands in India reported healthy growth in the quarter"

LAXMAN NARASIMHAN,
CEO, Reckitt Benckiser



"Our people have acted in a responsible and prompt manner to mitigate the impact of the pandemic, adapting quickly to evolving consumer needs"

MARK SCHNEIDER
CEO, Nestlé



"From a geographical perspective, we continue to see our performance vary between developed and emerging markets"

RAMON LAGUARTA,

Chairman and CEO,
PepsiCo

— reported healthy growth, he added.

Nestlé's CEO Mark Schneider also alluded to a difficult environment, saying the company saw mid-single-digit growth in India, led by demand for Maggi, Nescafe and KitKat. "Our people have acted in a responsible and prompt manner to mitigate the impact of the pandemic, adapting quickly to evolving consumer needs," he said. While demand for instant noodles and coffee continued to surge, analysts said that the impact of in-home consumption would wane as things return to normal.

Ramon Laguarta, chairman and CEO of PepsiCo, said the firm had seen high single-digit growth in India in the September quarter, though challenges remained. "From a geographical perspective, we continue to see our performance vary between developed and emerging markets. This is due to differences in pandemic-related impact and response, disposable incomes and affordability metrics as well as foreign exchange dynamics, fiscal and monetary policy support," he said.

The outlier

The impact of the nationwide lockdown and economic distress, however, continued to haunt Coca-Cola, with poor performance in India and South Africa leading to a 10 per cent drop in its bottling

business. "Unit case volume declined 10 per cent, driven by India and South Africa due to the impact of the coronavirus," Coke said. This came despite the depreciating local currency that offered it some "tailwind" at the operating income level. Despite strong recovery in China, its volumes fell by 4 per cent in the Asia-Pacific region, "primarily due to Covid restrictions in India and Japan", Coke said. In fact, Coke posted solid growth in the sparkling soft drinks business in China. However, operating income declined by 5 per cent.

Coke's business during the quarter was worse than it appears. The refranchising of Coca-Cola India last year aided its financial performance during the quarter, but failed to stem the slide. "The structural benefit to gross margin was primarily due to the refranchising of certain bottling operations in India. The refranchising activity has been included as a structural change in our analysis of net operating revenues on a consolidated basis as well as for the Asia Pacific and bottling investments operating segments," the firm said.

With the crucial festive season around the corner, the central government recently announced incentives for its employees to boost spending. It has also not ruled out another round of stimulus this fiscal to increase demand.