

# FMCG





# Sector Review **FMCG**

The dedicated 'innovation centre' works towards enhancing value offering in products and creating new additions to our existing product range.

The Fast Moving Consumer Goods (FMCG) sector strives to enrich the consumer's lifestyle by manufacturing and marketing a wide range of products in the personal care, personal wash, home care and food market spaces.

Sector revenue and net profit stood at Rs. 5.8Bn and Rs. 519Mn respectively. This is an increase of 10.5% in terms of revenue and a reduction of 18.4% in terms of net profit, when compared to the previous year. Reduction in profitability was mainly due to the unfavorable CESS charged on key imported materials. When eliminating the CESS impact, the business showed steady growth in underlying profitabilities.

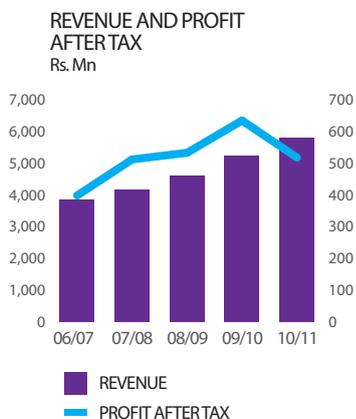
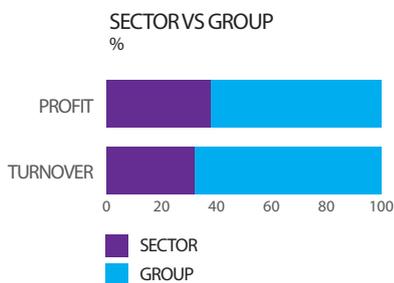
The overall FMCG market grew by 23.7% to Rs. 141Bn during the fiscal year. The key growth segments for the Industry were food and beverages segment, personal care segments and home care which grew by 16%, 9% and 5% respectively, against -4%, 13% and 10% growth posted the previous year (Source: LMRB). The year 2010 saw a higher growth in demand from urban markets, while the growth in rural markets, leveled off during the second half of 2010.

Amidst strong competition and challenging market conditions, the sector maintained its market position through continuous efforts to offer trusted and exceptional products that offer greater satisfaction to consumers. Timely management intervention and a focus on basics enabled the company to overcome the challenging environment.

Our FMCG product portfolio continues to evolve with the changing needs of the Sri Lankan consumer. Meeting the evolving needs of our consumers takes priority as the nation experiences the dividends of peace and records strong economic growth with corresponding developments in consumer behavior and life style.

Our flagship brand *Baby Cheramy* continued to maintain its stance as the market leader in the baby care category. Following the brand re-launch in 2009, *Baby Cheramy* has witnessed healthy growth in many of its product categories in 2010/11, in spite of continuous challenges faced by competition.

*Clogard* our oral care brand, was re-launched in the month of September with a stronger positioning statement – a unique combination of Clove Oil and Fluoride offering double protection



from cavity causing germs'. The brand continues to consolidate its footprint in the oral care segment with plans to further expand in the future.

**Kumarika**, the market leader in the hair oil segment was successfully re-launched in January 2011 offering consumers – 'nature's goodness to beautiful hair' through its range of hair care products. Our dedicated research and development team introduced three new variants in the herbal hair oil segment addressing specific needs of the consumers. Following the re-launch, the category has seen a growth in its topline, and looks forward to maintaining this momentum. The year under review, saw the company in collaboration with renowned beauticians, further enriching the lives of its consumers, by conducting workshops on "best practice in hair care".

**Diva detergent**, our washing powder, continued to be market leader in terms of volume generated. During the financial year, the margins of the brand were adversely affected by the CESS levied on certain imported materials. The company has taken measures to source the materials locally and commence manufacturing within our production facility at Dankotuwa. This would help negate the negative tax implications experienced during the year whilst restoring category margins in the years to come.

**Velvet** marked a successful year in the personal wash category, following its re-launch in December 2009. The brand was able to strengthen its position in the market through continuous efforts in brand building and product improvement. The success of these efforts was evident with 'Velvet' becoming the third strongest brand in the adult toilet soap category, outperforming most of its competitors.

**Fems**, the sanitary napkins brand, was re-launched in the month of November with enhanced quality and product features aimed at offering a differentiated product from the competition. Packaging was upgraded to be in line with the brand's new positioning - 'Purity & Comfort'. An integrated communication campaign covering all major media channels was launched to create awareness among consumers. The re-launch was well received by consumers and showed much growth potential in strengthening its market presence.

**Mr. Pop** is our key product in the food segment which is very popular among kids. **Chatters** our latest addition to the segment was introduced in 2011 to satisfy the taste buds of teenagers. **Chatters** made its entry with three key flavours, namely BBQ, Chillie and Pizza. We will continue researching diverse target audiences, and focus on adding value to our products.

During the year we commenced operations in Bangladesh with the launch of **Kumarika** hair oil. Encouraged by the positive response received in the market, we invested in a manufacturing facility in Bangladesh and are confident that our investment will enable us to cater to the growing demand in the market, and open new opportunities.

Our state of the art production facility at Dankotuwa continues to be recognized for its manufacturing excellence and has won several accolades making it one of the most efficient factories in Sri Lanka. Among the awards were the 'National Productivity Gold Award' given by the National Productivity Secretariat, the bronze medal for 'National Safety', and the Ceylon National Chamber of Industries (CNCI) Achievers Gold award. The awards were earned by the sector under the National level 'Extra Large' category in the manufacturing segment and were also able to secure First place in National Quality Award.

During the last few years the modern trade channel has been growing at a steady pace and has grown three fold since 2000. Today the contribution of modern trade in Sri Lanka has grown to 16%. The Company also showed an increase in modern trade where it enjoyed a revenue increase of 23.9% through the modern trade channel. We have understood the importance of continuously revisiting our strategies to enhance our competitive edge in the market and would be reviewing our product offering and will focus on the consumers who patronize these channels.

Our management team continues to work hard towards strengthening our existing product portfolio and identifying future business opportunities. The dedicated 'innovation centre' works towards enhancing value offering in products and creating new additions to our existing product range. The company is confident that this innovative culture would be the platform for a sustainable growth in the future.

