Fmcg industry in india assignment

As part of the assignment in my industry, FMCG industry, I have taken the following mergers. 1)Dabur India Limited acquisition of Balsra Group 2)HUL Acquisition of Modern Foods India Limited 3)Marico market Extension acquisitions in Egypt. Dabur India Limited acquisition of Balsra Group Dabur acquired three Balsara companies – Besta Cosmetics, Balsara Hygiene Products and Balsara Home Products in January 2005 for a consideration of Rs 143 Cr.

The three companies were loss making units but with distinct brands. This conglomerate merger was done primarily for product extension but synergies were also seen in the distribution network. The merger has been quite successful considering the fact that all loss making units were turned around in within 6 months. Y/E March (Rs cr) FY2004 FY2005 FY2006FY2007FY2008 Net Sales1, 068. 531, 246. 161, 360. 891, 641. 932, 115. 80 % chg 16. 69. 220. 728. 916. 6 Net Profit 136. 77186. 77239. 64313. 01400. 91

The main motive of the merger was inline with Dabur's philosophy of acquiring under- marketed brands and use Dabur's distribution network to strengthen the sales for the same. Economies of scale were achieved in production and distribution of goods. Significant discounts were also obtained for advertising and marketing charges. The growth of two acquired brands significantly highlights the benefits wrested by Dabur from the acquisition. 2004200520062007 Babool22. 43. 54. 5 Meswak0. 40. 70. 91. 1 Dabur Lal Dant Manjan 6554. Toothpaste Market24, 353. 6025, 035. 0026, 801. 5029, 303. 80 Both Babool and Meswak have been able to increase market share in a growing market thus staving off market share decline of

Dabur’s main oral care brand, Dabur Lal Dant Manjan. HUL Acquisition of Modern Foods India Limited Hindustan Lever Limited bought a 74% stake in Modern Foods Limited, a company disinvested by the central government as part of the privatization program, for 108Cr in January 2000. The remainder stake was bought by HUL in year 2002 in 44Cr deal.

The merger was a conglomerate merger for product extension into categories that ‘ customers put on his plate everyday’. Y/E March (Rs cr) Dec 99(12) Dec 00(12) Dec 01(12) Dec 02(12) Dec 03(12) Net Sales10, 594. 8710, 865. 3511, 210. 8310, 514. 8810, 852. 06 % chg 2. 493. 08-6. 623. 11 Net Profit 1, 539. 091, 809. 182, 118. 792, 334. 472, 359. 52 Globally the Unilever revenues are divided almost equally between HPC (House and Personal care) and the food business but in India it’s skewed heavily towards HPC business. The main motive of HUL was to increase its presence in the foods segment.

The merger of Modern Foods contributed about five per cent to the food business margins, bolstered also by HLL’s tea and coffee brands, processed foods and ice-cream business. The merger of Modern Foods would bring in synergies and a tax benefit. However the company could not be turned around by HUL as the cultures did not match and HUL could not survive in the low margin, perishable, commodity business. The company has been sold to Switz group, a middle east based, Mumbai family owned company, mainly for the real estate value.

Acquisition of Haircode and Fiancee of Egypt The acquisitions happened in September (Fiancee, 170Cr) and December (Haircode) 2006. Both acquisition will give Marico a 50% of the Egyptian hair care market. Since Marico is already present in the Hair care market in India this is a clear case of market extension merger. The motive of the merger is the increasing global aspirations by Indian companies. Marico already has huge share of the domestic hair care market hence the search for markets outside India.

More importantly acquisitions are restricted to places where high import duties discourage the export of Marico products to those countries. Marico feels that Egypt along with South Africa will be the gateway for its entry into other African markets. Y/E March (Rs cr) FY2005 FY2006FY2007FY2008 Net Sales953. 831, 063. 841, 439. 47 1, 619. 17 % chg 10. 326. 111. 1 Net Profit 73. 44111. 51106. 7142. 04 As seen in the year 2007 there is an extraordinary jump in the sales figures of 26% which must have been primarily due to the increased sales from international operations including Egypt.