



FMCG



# Management Discussion and Analysis

## FMCG

The Fast Moving Consumer Goods (FMCG) Sector manufactures and markets branded Personal Care, Homecare & Food Products. The FMCG sector accounted for 29.5% of Group Turnover and 44.6% of Group Profits for the year under review. The sector recorded a Turnover of Rs. 4.2 Bn reflecting a top-line growth of 8.8%. Sector Profit for the year was Rs. 513.2 Mn, an increase of 28.5% which was largely due to tax efficiencies.

Overall this has been a very challenging year for the business with double digit inflation impacting industry volumes, while high increases in input prices depressed margins. Market growth slowed down in most of the categories in which we compete. The Market slow down was attributed largely to the pressure on disposable income as a result of the increased outlay on essential items. Input prices too have escalated significantly, many of which are directly or indirectly connected to the price of Crude Oil. Whilst we held back price increases during the first half of the year, price corrections taken in the second half have improved margins.

Our core Personal Care business did well to grow slightly ahead of Market, whilst the Homecare and Foods businesses grew rapidly off a smaller base. One of the highlights of the year was the recognition given to *Baby Cheramy* which swept the stakes at the Sri Lanka Institute of Marketing Brand Excellence Awards winning the Local Brand of the year, Product Brand of the Year and the Overall Brand of the Year awards.

The relocation of the manufacturing facility to Dankotuwa costing Rs. 700 Mn was successfully implemented in April this year. Apart from the fiscal benefits, we now have capacity for growth in this new environmentally friendly facility, which has been designed to improve work flow and productivity whilst providing all amenities for the workforce. A special feature of the facility is the unique and independent *Hemas Innovation Centre* which will significantly improve our research and development capability. The Centre will be manned by full time scientists mandated to create differentiated products of international quality in line with consumer needs.

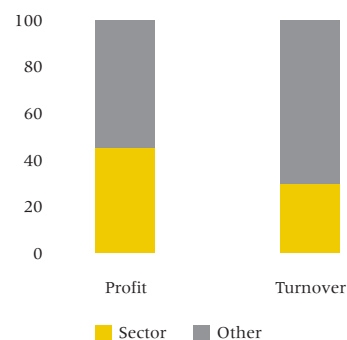
Our efforts at generating a regional footprint gathered momentum in identified regional markets. Much work on the entry strategy and product portfolio has been done and we now have distribution arrangements in place. Business volumes are as yet modest, but, we have laid a good foundation from where we hope to grow.

*Baby Cheramy* retained market leadership position throughout the year with consistent gains in market share.

*Clogard*, continued to gain market share and the 'Jayagosa Nangwa' consumer activation initiated during the year contributed positively towards the brand's image and saliency. *Kumarika* Hair Oil maintained its market leadership position and continued to demonstrate strong growth. In the Fragrance category, *Goya* did well with its new launch of body sprays. *Diva* detergent powder performed exceptionally well gaining significant market share to become a leading brand surpassing many international brands. Our snack and confectionery brands expanded their portfolio with both savory and sweet product offerings.

We will continue to focus on delighting our customers through constantly improving our products in line with their needs. We will be looking to generate tangible returns from our investment in the *Hemas Innovation Centre* through differentiated brand propositions and superior quality products. Looking forward we are mindful that, in the short term, consumers may tighten purse strings as a result of rising inflation and price increases across all commodities. Increasing productivity and reducing costs will be a key priority as we strive to increase efficiency throughout the system.

Segment vs Group (%)



Revenue & Net Profit after Taxation (Rs. Mn.)

