

# Kraft Relishes Sweet Taste of Cadbury

## Growth of Cadbury India



Figures in ₹ crore

40%

During the first nine months of 2011

30% In 2010

20-23% Before 2009

### GROWTH OF ITS RIVALS

15-20%

HUL, Nestle, Britannia, GSK during first nine months of 2011

Source: Registrar of Companies

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Two years after US-based Kraft Foods acquired Cadbury Plc globally, sales in its Indian business have grown the fastest ever last calendar as the firm aggressively ramped up distribution and increased advertising spent on both existing Cadbury brands and new launches from Kraft portfolio.

Between January-September 2011, Cadbury India's sales grew 40%, thanks to the successful launch of world's largest selling cookie Oreo in March as well as double digit growth of most existing Cadbury brands, a top company official says. "The fact that our top line has accelerated by so much is frankly our best performance of growth in the history of the company," says Cadbury India Managing Director Anand Kripalu, who is also group president for South Asia and Indo China. The company has moved from a growth of 20%-23% each year before 2009 to over 30% in 2010, and 40% in the first nine months of 2011, he says.

Sales of its peers including Hindustan Unilever, Nestle, Britannia and GlaxoSmithKline Consumer have grown between 15%-20% during the same period. And Cadbury managed this growth on top of a 30% jump in the previous year.

Regulatory filings by the unlisted company last week show that Cadbury India had posted 29% jump in sales at ₹2,652 crore for the year ended December 2010, the first year after US-based food giant Kraft acquired it. Interestingly, the record growth comes at a time when there has been talk about integration issues between Kraft and Cadbury because of two disparate cultures—one American and the other British—coming together.

It shows that at least the Indian operation is getting a grip on the integration. Since 2010, Cadbury India has brought in two Kraft brands—biscuits with Oreo and fruit juices and beverages with Tang. While Tang is manufactured at Kraft's Hyderabad plant, Punjab-based Bector Foods makes Oreo. Both segments call for significant investments, particularly in the ₹14,000-crore biscuit category, which is increasingly getting competitive.

The company has been very aggressive in this regard.

During 2010, Cadbury spent ₹511 crore on selling on distribution about 38% higher than it did a year ago. That, in turn, impacted its profit, which grew at its lowest-in-five-years rate of 6% at ₹248 crore. But the company seems unperturbed.

"Profits have softened a bit due to step up in investments behind every brand," says Kripalu. Volatility in cocoa prices and dip in rupee valuation are also adding pressure. While cocoa prices have softened a bit from its peak three years ago, rupee devaluation has negated most of the gains. The company is aggressively reaching out to more consumers. In 2011 alone, it increased its direct reach by 25%.

Branding expert and Nobby Brand Architects Founder and CEO Nabunkur Gupta says that Cadbury's distribution has improved since its acquisition by Kraft. "Now its product portfolio is available in the lower strata of the society where it was not available earlier," he says. India's aspirant youth is spending more than ever before on inspirational brands and Kraft is expected to continue riding on Cadbury portfolio to grow its business in the country.

The Chicago-headquartered parent company in 2010 said the combination of Kraft Foods and Cadbury provides the scale necessary to grow sales and distribution in new and existing markets, delivering \$1 billion in incremental revenue synergies by 2013.

More than half of Kraft Foods' revenue now comes from markets outside North America. According to its Chairman Irene Rosenfeld's stated goal, the proportion of business in developing markets such as Brazil, China, India and Mexico will increase from a quarter of total revenue in 2010 to roughly one-third by 2013.

So far, the Indian business has done well to make inroads in biscuits with the Oreo brand, stealing share from leader Britannia in the cream segment in a span of just six months.

Yet, Kraft is not in a hurry to bring its global portfolio into Indian shelves.

