The other Wipro, and how it tamed the dragon

China is set to become the second largest market for Azim Premji's privately-held FMCG company, Wipro Consumer Care and Lighting

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It’s costly to enter China and competition in the FMCG space from premium local brands is severe
Image: Zhang Yun/China News Service/VCG via Getty Images

A decade ago, FMCG firm Wipro Consumer Care and Lighting (WCCLG) not only emerged from the shadows of its bigger software services sibling Wipro Ltd but also found itself in the big league alongside the likes of Dabur. Its ₹1,010-crore acquisition of Unza, a Singapore-based manufacturer of personal care products, in July 2007, saw its revenues skyrocket to over ₹1,500 crore that fiscal. Dabur's revenues stood at over ₹2,000 crore at the time.

Besides the hefty revenues (₹700 crore), and healthy profit margins of about 12 percent that Unza brought with it, WCCLG, which was then part of Wipro Ltd and accounted for about 5 percent of its turnover, also got access to a portfolio of 48 brands that were marketed in 40 countries, including China. The country is known to be a difficult market to do business—it's costly to enter China and competition there is severe as there are a slew of premium local brands in the Fast Moving Consumer Goods (FMCG) space. Besides, as a market, China is expansive.

"A lot of multinationals did not have very good experiences [in China]," says Vineet Agrawal, CEO, WCCLG and executive director, Wipro Enterprises. [In FY14, billionaire Azim Premji, chairman, Wipro Ltd, decided to take his company's non-IT businesses private. Thereof emerged Wipro Enterprises that comprises the three business units of consumer care and lighting, infrastructure engineering and Wipro-GE Medical Systems.]

"So, we landed in China by accident; it was not part of our plan," says Agrawal, who has been at the helm of WCCLG for 16 years. Besides, Unza's China operations were not profitable. But the China business had good local leadership and operated a manufacturing facility in the highly industrialised province of Guangdong—positive factors that could help turn the operations profitable.

"In the 10 years we have spent in China, our business has grown around seven times and become profitable."—Vineet Agrawal, CEO, WCCLG

As of FY18, WCCLG's China business accounted for about $120 million in revenue, the third largest market after India ($500 million), and Malaysia ($145 million). Its India revenues include the lighting and furniture business, which accounts for a third of its size.

Three years after the Unza acquisition, WCCLG believed it could do business in China, having fine-tuned its operations. Enchanteur, a female toiletry brand, and Romano, a male toiletry brand, were the two products from the Unza stable retailing across multiple provinces in China.

Given that the products were thinly spread across the vast Chinese landscape, WCCLG decided to focus its brand on just the Guangdong province and the small island of Hainan. While the former boasts of major cities such as Guangzhou and Shenzhen, the latter is said to be the Hawaii of China. "We decided to spend our money and build our business here," says Agrawal.

Today, Guangdong is a $1-trillion-plus economy, compared with India's $2-2.5 trillion. "In the 10 years that we have spent in China, our business has grown by approximately seven times and become reasonably profitable over the last seven years," says Agrawal. A few more premium acquisitions also added to the growth.

In 2012, WCCLG bought Singapore-based skincare company LD Waxson, which had operations and a manufacturing facility in China. Four years later, it bought the Chinese company Zhongshan Ma Er Daily Products Ltd, which manufactures liquid detergents and shower products. Presently, about 70 percent of Unza's and Ma Er's business comes from the Guangdong province alone.

In China, in the FMCG categories that WCCLG operates in, the company is either the second or third largest player alongside global heavyweights such as Procter & Gamble and Unilever, claims Agrawal. Currently, its brands in China include Enchanteur, Romano, skincare brand Bio Essence, Pahnli, a liquid detergent, Enear, a female toiletry brand, and Zici, a family toiletry brand.

THE ALLURE OF SANTOOR

LAUNCHED IN 1986, SANTOOR is the largest brand for WCCLG with revenues of ₹1,920 crore in FY18. "We, arguably, might be the second largest soap brand in India, though AC Nielsen does not put us there," says Vineet Agrawal. According to him, as per AC Nielsen's projections, Lifebuoy has a 13 percent domestic market share, Lux 12 percent and Santoor 9.4 percent. A June 2016 report in *BusinessLine* said that Hindustan Unilever had six brands, including Lifebuoy, that had annual sales of over ₹2,000 crore. But Lux was not one of them. "Technically, if you look at AC Nielsen, Lux is much larger from a market share angle. But we believe we are close to them or may be even bigger than them [from a revenue standpoint]," says Agrawal.

'NO PLANS FOR IPO'

VINEET AGRAWAL SAYS there are no plans of taking Wipro Consumer Care and Lighting (WCCLG) public. "We are cash rich. Our balance sheet is strong and we can pick up debt at a fairly competitive price," he says. Being a private entity, says Agrawal, "gives us the flexibility of taking long-term measures, rather than worrying about short-term measures." As of December 2017, Wipro Enterprises, the holding company of WCCLG, had cash reserves to the tune of $495 million (approximately ₹3,164 crore).

"Forget other Indian FMCG companies—nobody else is there—I don't know how many Indian companies have a large business in China," says Agrawal. "The only other company, we are told, that does well in China is Mahindra [& Mahindra]."

Adds Harish HV, independent consultant and former partner at Grant Thornton India LLP, "Mahindra has tractor joint ventures which are doing well, but from the FMCG space, nobody else is there."

Given the complexities of doing business in China, very few Indian companies have had any success there. "I think TVS tried, but shut down its operations. Few others like Woodland and Baba Ramdev's Patanjali are trying, but nobody has achieved any serious success. So credit to WCCLG for having got to where they have," says Harish. And adds, "WCCLG is a disciplined company in the way they approach things, so I guess that has also worked for them."

WCCLG, however, has bigger plans for China, which is likely to eclipse Malaysia to become the largest overseas market for the company. With two operational factories, WCCLG is investing $12 million to set up a third manufacturing unit in Guangdong to aid its expansion plans. The company has already expanded to two more Chinese provinces of Guanxi and Fujian, with plans to further grow its footprint. "Eventually, China will become larger than Malaysia," says Agrawal.

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