Business Development from Start to Scale
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Week - 08
Corporate Development
Lecture - 37
An FMCG Start-up

Hi friends, welcome to the NPTEL course, Business Development from Start to Scale. We are in Week 8 with the theme of Corporate Development. In this lecture, the 37th in the series, we discuss the case of an interesting FMCG Start-up.

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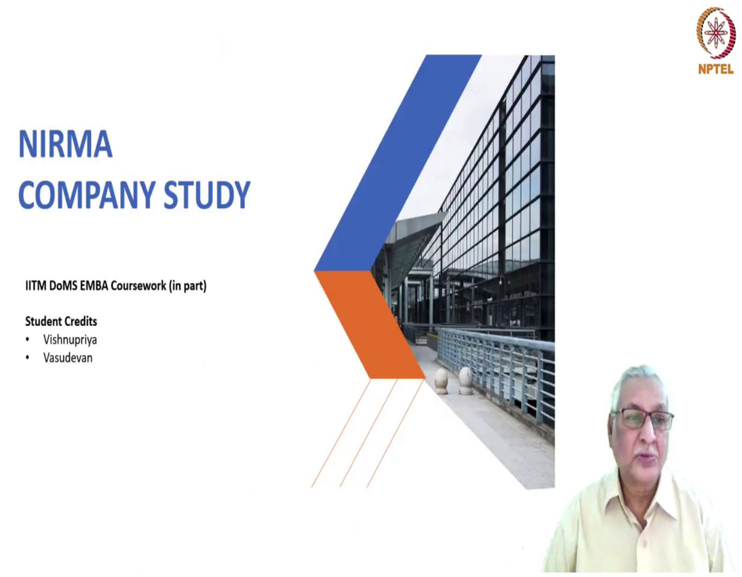

The company is Nirma.

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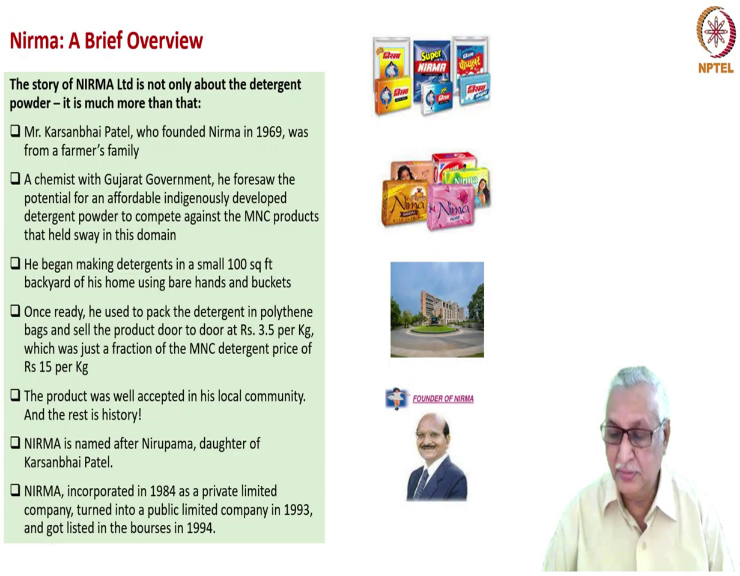

The story of Nirma is not only about the detergent powder, it is much more than that, as you will discover in this case study. Mr. Karsanbhai Patel, who founded Nirma in 1969, was from a farmers family. He was a chemist with Gujarat government, but he foresaw the potential for an affordable indigenously developed detergent powder, which could compete against the MNC products, which held sway in this domain at that point of time.

He began making detergents in a small 100 square feet backyard of his home, using bare hands and buckets. Once ready, he used to pack the detergent in polythene bags and sell the product door to door at rupees 3.5 per kg, which was just a fraction of the MNC detergent price of rupees 15 per kg. The product was well accepted in his local community and the rest is history.

Nirma is named after Nirupama, daughter of Karsanbhai Patel. Nirma was incorporated in 1984 as a private limited company, turned into a public limited company in 1993 and got listed in the bourses in 1994.

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Nirma packed a lot of advertising punch. Washing powder Nirma, [FL]Nirma [FL] was a jingle used for more than 35 years. The same radio and TV spots had been used consistently for decades in Hindi and all Indian regional languages. Nirma became the largest selling single detergent brand in the world at one point of time. Transition to a private limited company structure in 1984 and later into a listed public limited company structure in 1994 boosted its capabilities.

If you look at Nirma's early journey, it compressed the following. Aggressive promotion from the 1980s on TV and radio. Catchy taglines and memorable jingles, hoardings posters, bus ads, wall paintings, etcetera. Brand ambassadors for customer connect. Nirma rewrote every point of marketing playbook and became a leader in the Indian detergent market.

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Nirma is also a striking example of competitive strategy. Small versus mega; low price versus premium price; Indian versus MNC; innovation versus stability – these were all concepts tested and proven by Nirma.

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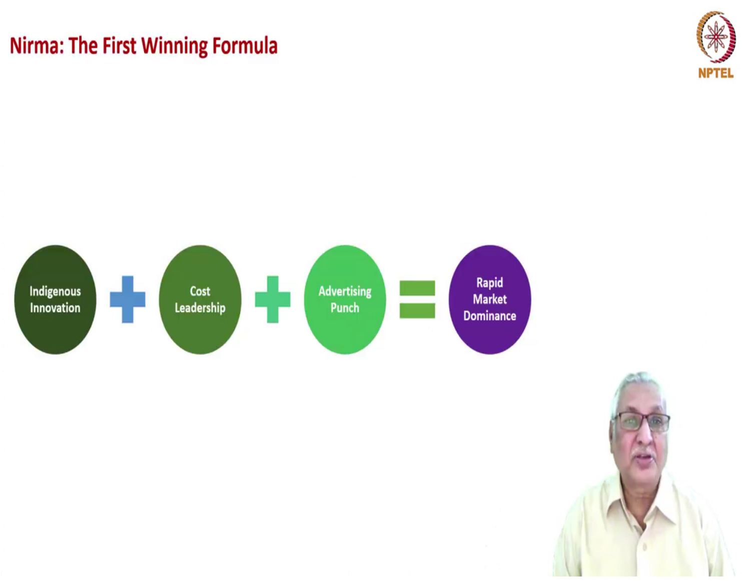

The first winning formula of Nirma was as follows. Indigenous innovation coupled with cost leadership together with advertising punch led to rapid market dominance.

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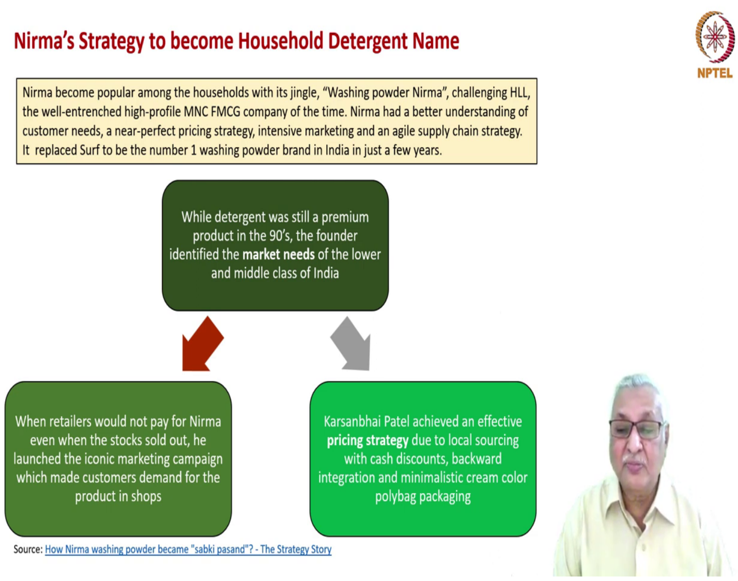

Nirma's strategy to become household detergent name was as follows. First, a product which appealed to the lower middle class and middle class and an advertising jingle along with a widespread communication strategy to bring it to the very household in the country. Nirma had a better understanding of customer needs, a near perfect pricing strategy, intensive marketing and an agile supply chain strategy compared to HLL.

It is Hindustan Lever Limited which was the high profile MNC FMCG at that point of time having its own detergent. It replaced Surf to be the number one washing powder brand in India in just a few years. While detergent was still a premium product in the 1990s, Mr. Karsanbhai Patel identified the market needs of the lower and middle class of India.

When retailers would not pay for Nirma, even when this stocks got sold out, he launched the iconic marketing campaign which made customers throng the shops and demand for the product and shops. He also achieved an effective pricing strategy due to local sourcing with cash discounts, backward integration and minimalistic cream colour polybag packaging.

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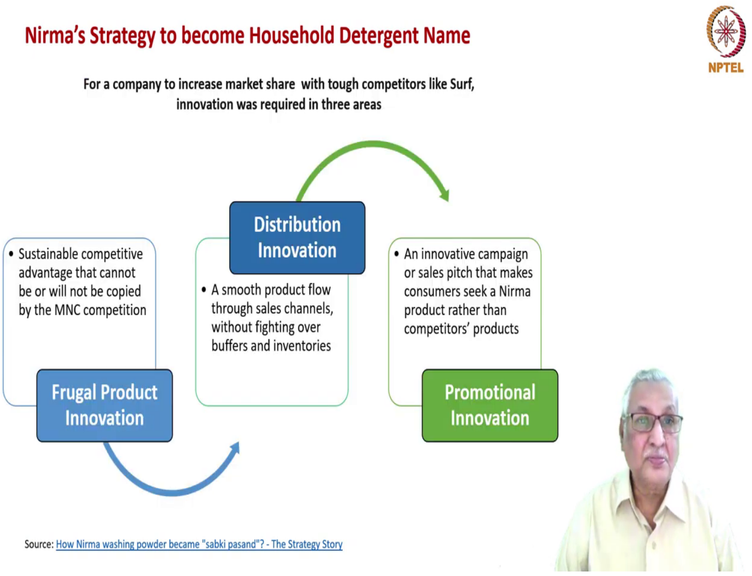

Nirma's strategy to become household detergent name also comprised a very strong marketing approach to overcome the fight with tough competitors like Surf and it required innovation in three areas. One, frugal product innovation – sustainable competitive advantage that cannot be or will not be copied by the MNC competition.

MNCs thought somewhat poorly of the product development by Nirma and as a result, MNCs did not match the product head on and that provided sustainable competitive advantage because the powder was accepted in the marketplace. Second, distribution innovation, a smooth product flow through the sales channels without fighting over buffers and inventories.

And third promotional innovation, an innovative campaign or sales pitch that makes consumers seek Nirma product rather than competitors products. Frugal product innovation, distribution innovation and promotional innovation together ensure that Nirma upstaged Hindustan Lever Limited in this very crucial detergent market.

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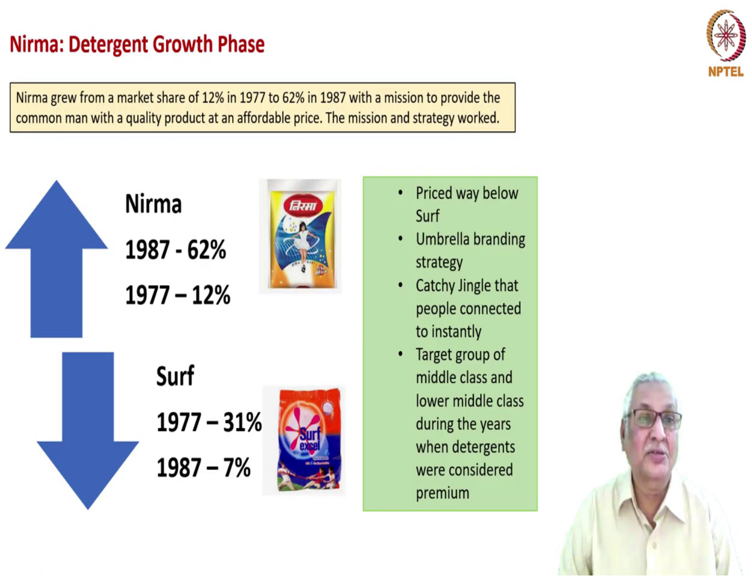

The number speak for themselves. Nirma grew from a market share of 12 percent in 1977 to as high as 62 percent in 1987 with its mission to provide the common man with a quality product at an affordable price. The mission and strategy did work. Surf in the corresponding period declined from 31 percent to 7 percent.

Reasons the product was priced way below surf. The company adopted an umbrella branding strategy, had the catchy jingle that connected the company and the product with the people instantly. And, the target group was very well defined middle class and lower middle class at a time when the detergents were considered premium products.

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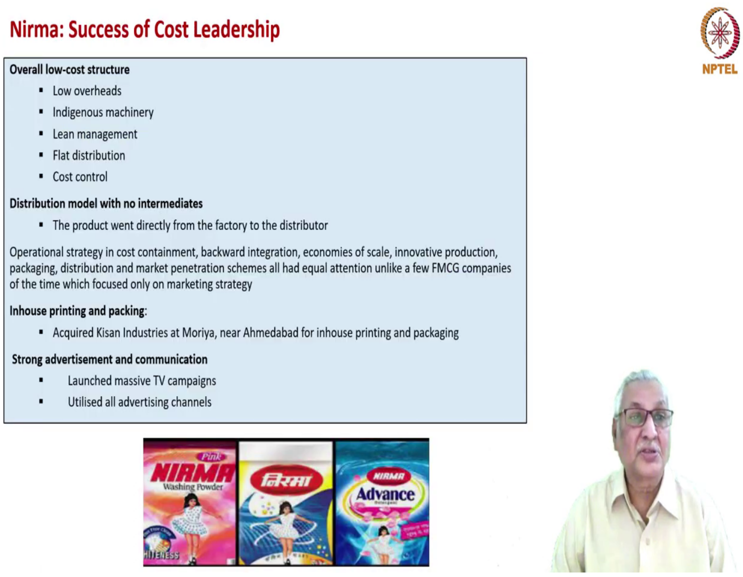

It is also a reflection of the cost leadership mantra which Nirma followed. The overall low cost structure of Nirma was due to the following. a – low overheads; b – indigenous plant and machinery; c – lean management; d – flat distribution and e – cost control at all points of the value chain. It also perfected a distribution model with no intermediates. The product went directly from the factory to the distributor.

Operational strategy in cost containment, backward integration, economies of scale, innovative production, packaging, distribution and market penetration schemes all had equal attention unlike a few FMCG companies of the type which focus only on marketing strategy.

The company also tried consistently to improve it is packaging. It acquired Kisan Industries at Moraiya, near Ahmedabad for in-house printing and packaging.

Launched massive TV campaigns as television viewership and the television as a product line became popular in India. Nirma was all over on the channels. It also utilized all the advertising channels ATL as well as BTL.

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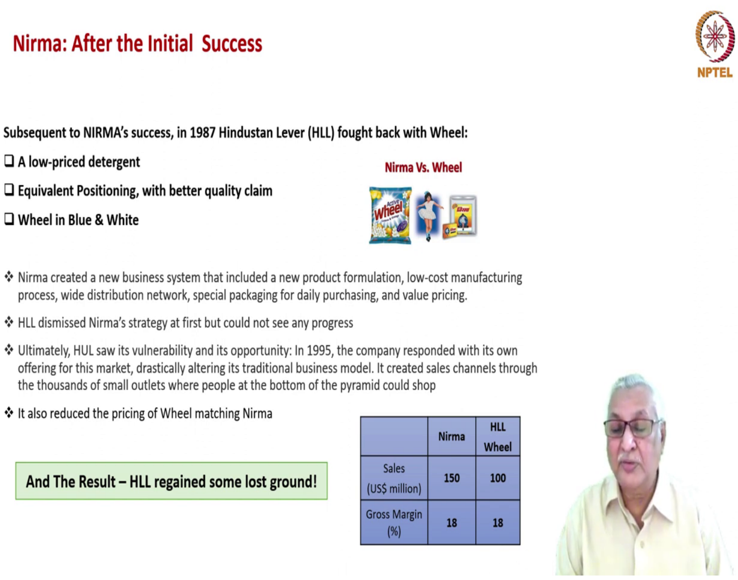

After the initial success, Hindustan Lever tried to come back. It followed a marketing strategy which had a frugal product and also similar positioning. So, it came up with a product called Wheel, a low price detergent, equivalent positioning with better quality claim and the logo being attractive in blue and white.

Nirma created a new business system that included a new product formulation, low cost manufacturing process, wide distribution networks, special packaging for daily purchasing and value pricing as we have considered earlier. Hindustan Lever dismissedNirma strategy at first, but could not see any progress with its own standardized marketing approach.

HUL saw its vulnerability and it is opportunity. In 1995 the company responded with it is own offering for this market as I outlined above in respect of Wheel. It drastically altered its traditional business model. It created sales channels through the thousands of small outlets where people at the bottom of the pyramid could shop.

It is instructive that an indigenous small humble company could teach a big lesson to a multinational behemoth such as Hindustan Lever which had global experience and expertise. And the company also had to reduce the pricing of Wheel to match Nirma. Of course as a result, HLL regained some lost ground.

Nirma had a sale of 150 million dollars and Wheel achieved a sale of 100 million dollars and both had equivalent gross margins of 18 percent.

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In the 1990s, Nirma was a cluster of companies mainly because of the prevailing policies encouraged companies to be small and medium scale. Nirma Limited was the flagship company. Nilima Chemicals was a chemicals based company. Nirma soap and detergent limited, Siva Shakthi SoapWorks, Shiva Soap and Detergent Limited, Nirma Detergent Limited were all other sister companies.

But these were all merged in 1997 to achieve economies of scale, business energy and reduction of overheads.

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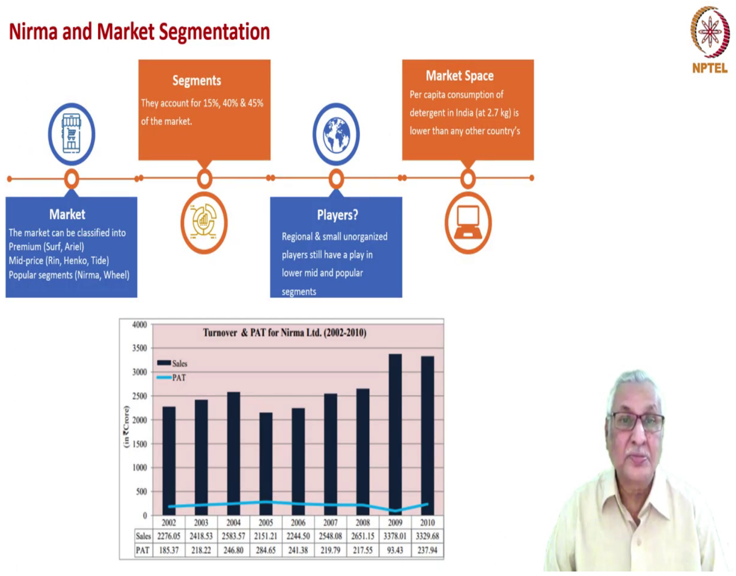

When you look at Nirma and the market segmentation, we can read this as follows. The market for detergents can be classified into premium, comprising Surf and Ariel kind of products; mid-price, comprising products such as Rin, Henko and Tide and popular segments comprising Nirma and Wheel. From this, you can note that Nirma entered the popular segment dominated it, but it did not go up the scale in terms of mid-price and premium. There was it very much of a product innovation to move up the value chain.

The segments respectively accounted for 15 percent, 40 percent and 45 percent of the market. But the fact remains that Nirma left it is flanks open by not operating in the 55 percent of the market, that is mid-price and premium market. And, also it was a little smart about other players who were regional and small doing the same kind of enactment as Nirma did for HLL. So, as a result, we had a product called Ghadi which impacted Nirma adversely later.

The market space, however, continues to be huge. PAT capita consumption of detergent in India at 2.7 kg is lower than any other countries. The graphic below shows the turnover and PAT between 2002 and 2010. You can see that there has been a reasonable growth over the 80 years from 2,276 crore to 3,330 crores. PAT improved from 185 crores to 238 crores during the same period.

So, it is not that Nirma had a lower turnover because of the loss of market share. It continued to grow in a growing market, but it could have done better by trying to retain and defend as much as of it is peak market share of 62 percent it achieved at one point of time. And lack of product innovation is the principal cost for that slippage.

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Today's competition landscape for Nirma is a huge tapestry of FMCG companies. Hindustan Unilever, Dabur, Marico, P and G, GHCL, ITC, TATA Chemicals, GACL led the competitive brigade.

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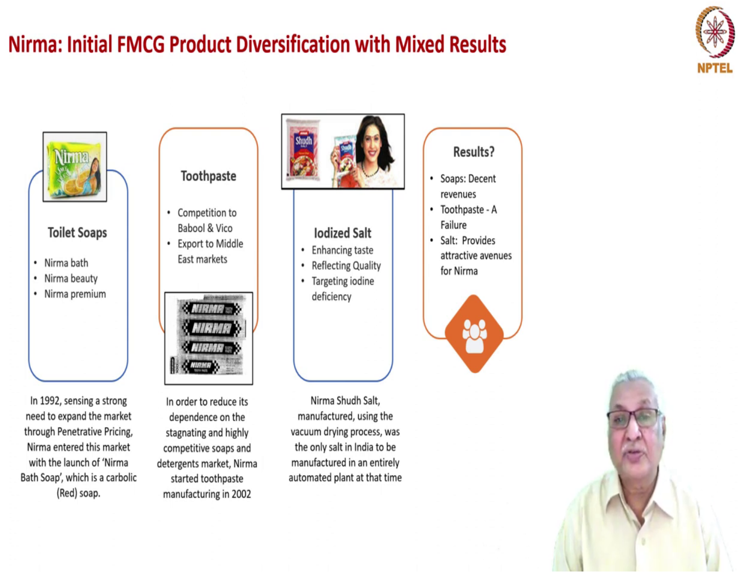

Nirma did not keep quite with only detergent product. It did try to diversify into other FMCG products, but with mixed results. It launched it is toilet soaps called Nirma bath, Nirma beauty and Nirma premium. This time, Nirma decided to be present in all the categories or the segments.

In 1992, sensing a strong need to expand the market through penetrative pricing, Nirma entered this market of soaps with the launch of Nirma Bath Soap, which is a carbolic red soap in competition with Lifebuoy. It also entered the toothpaste field. Competition was Babool and Vicco. The idea was to export aggressively to Middle-East markets.

However, these toothpaste manufacturing which started in 2002 did not take off as well as it could have taken off. It also entered using it is chemical space, the iodized salt area. Enhancing tests, reflecting quality and targeting iodine deficiency, the company became a good edible salt player. Nirma's Shudh salt manufactured using the vacuum drying process, was the only salt in India at that point of time to be manufactured in an entirely automated plant.

The results of the FMCG product diversification have been mixed. There have been decent revenues with decent market share in soaps. Toothpaste was a failure. Salt provided attractive avenues for Nirma.

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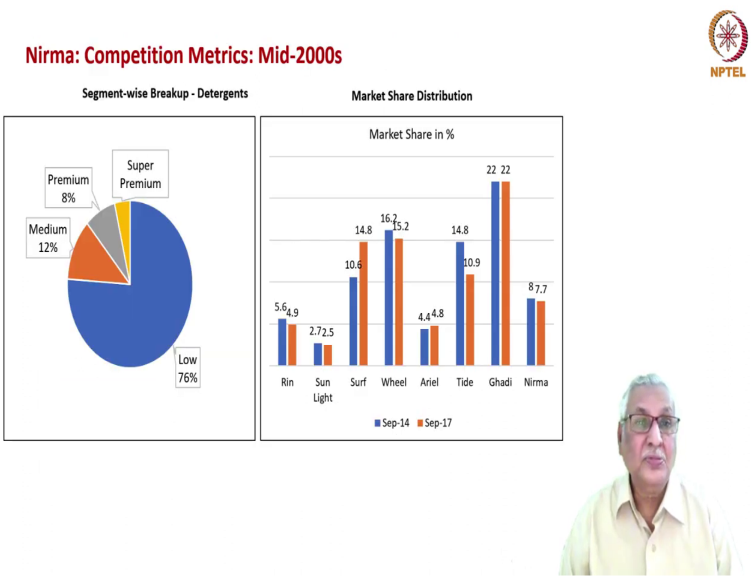

The competition metrics in mid-2000s were as follows. The low market share segment was 76 percent, while medium market segment was 12 percent, premium 8 percent and super premium the balance. The company continued to operate in the low market share. The market share of various brands between September 14 and September 17 is as illustrated in this graphic. Earlier as I said, Nirma had the dominant market share, but Ghadi came and took away a lot of market share of Nirma.

Similarly, the Wheel and Tide brands took away a lot of market share from Nirma. As a result, Nirma became just one another player despite the dominance it has achieved in the early years of its journey.

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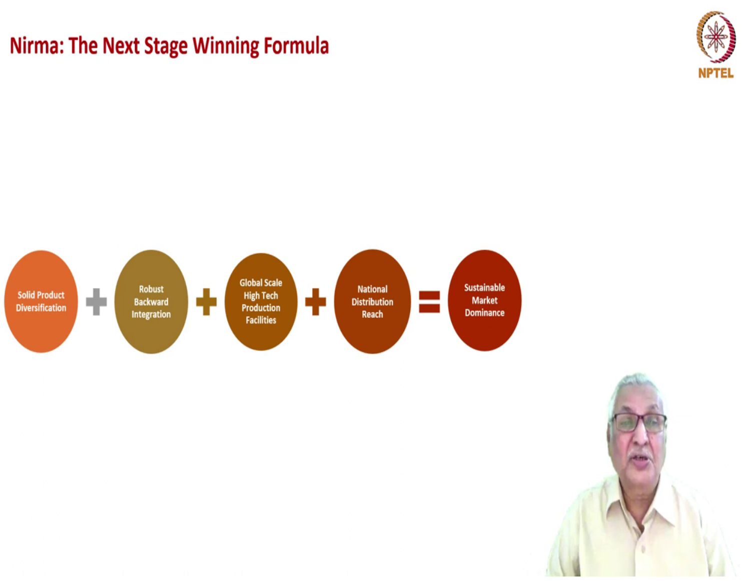

But, then Nirma did not keep quite. It has been thinking of something different. The next stage winning formula for Nirma was as follows. Solid product diversification plus robust backward integration, global scale, high technology, production facilities, national distribution reach, all of these together added to sustainable market dominance for the company.

Although the volumes were coming down, it was having good margins because of the effective backward integration.

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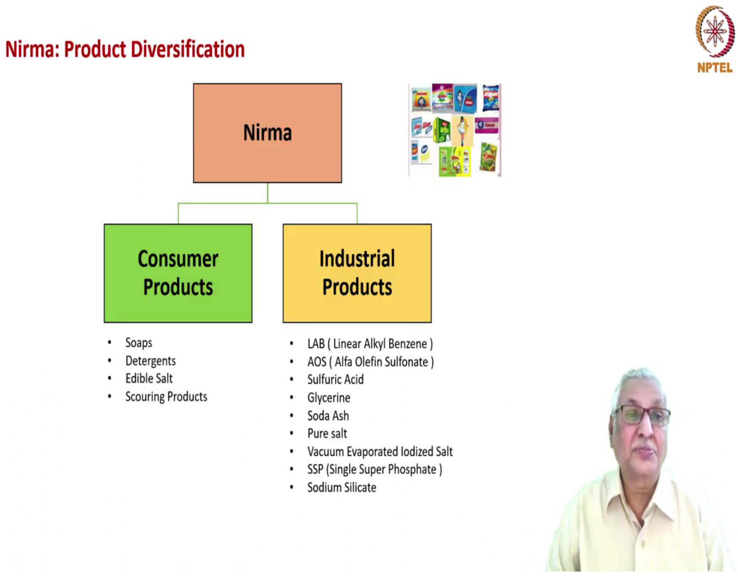

The product diversification also took strong roots at Nirma. Nirma's product range comprises today consumer products and industrial products. In the consumer products division are vertical. We have soaps, detergents, edible salt, scouring products. In the industrial products division, we have lab, linear alkyl benzene, AOS – Alpha Olefin Sulfonate, sulfuric acid, glycerine, soda ash, pure salt, vacuum evaporated iodized salt, single super phosphate and sodium silicate.

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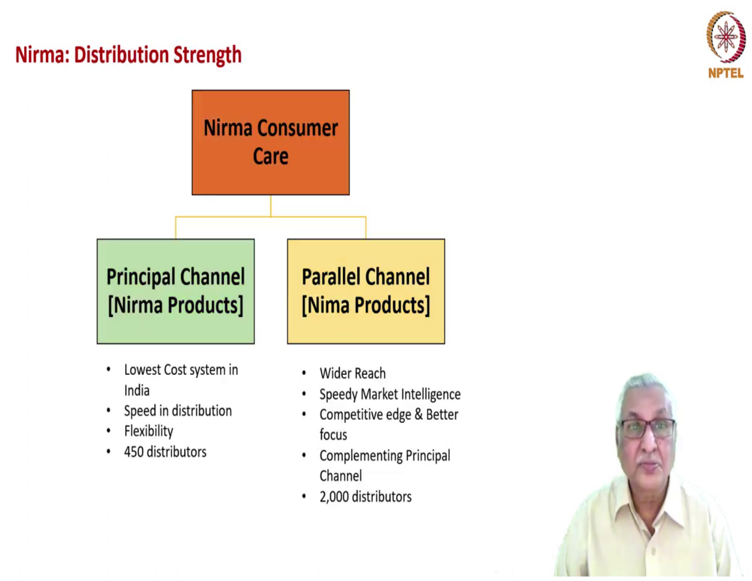

Nirma distributed all of it is products through a company dedicated for distribution calledNirma consumer care. It had two channels, again very innovative at that point of time. Principal channel marketing Nirma products and a parallel channel marketing the products under the brand name of Nima. The principal channel was the lowest cost system of distribution in India.

It had speed and agility in distribution with lot of flexibility. 450 distributors constituted the backbone of Nirma product distribution. The parallel channel had a wider reach. It had speedy market intelligence. It had competitive edge and better focus and it was complementing principal channel to diversify the product range. It had as many as 2000 distributors.

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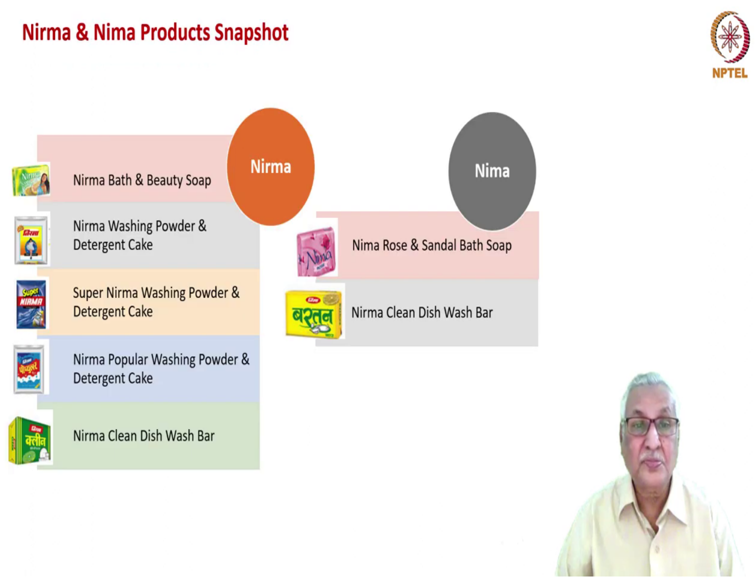

These were the basic products in Nirma and Nima product lines. Under Nirma we had Nirma bath and beauty soap, Nirma washing powder and detergent cake the core product, Super Nirma washing powder and detergent cake and effort to go into the higher segment, Nirma popular washing powder and detergent cake and finally, Nirma clean dish wash bar. Nima had Nima rose and sandal bath soap and clean dish wash bar.

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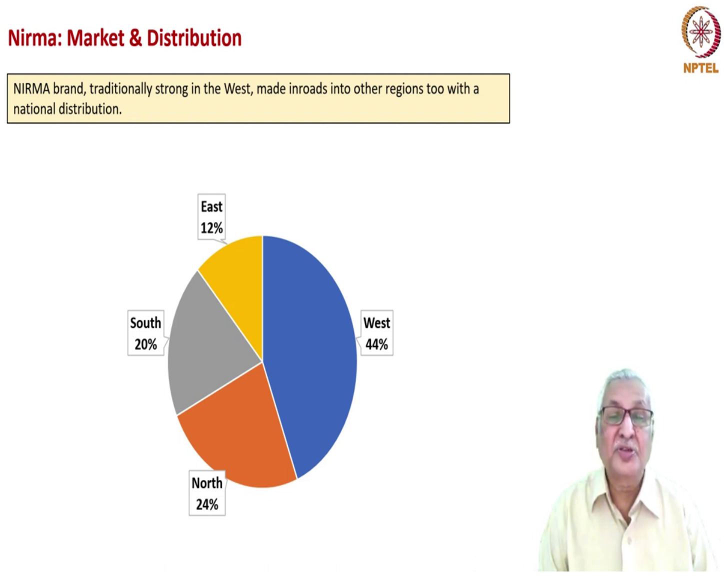

Nirma's market and distribution was traditionally strong in the West. However, it made into other regions as well and finally, became a nationally distributed product. West compromised 44 percent of its market, North 24 percent, South 20 percent and East 12 percent.

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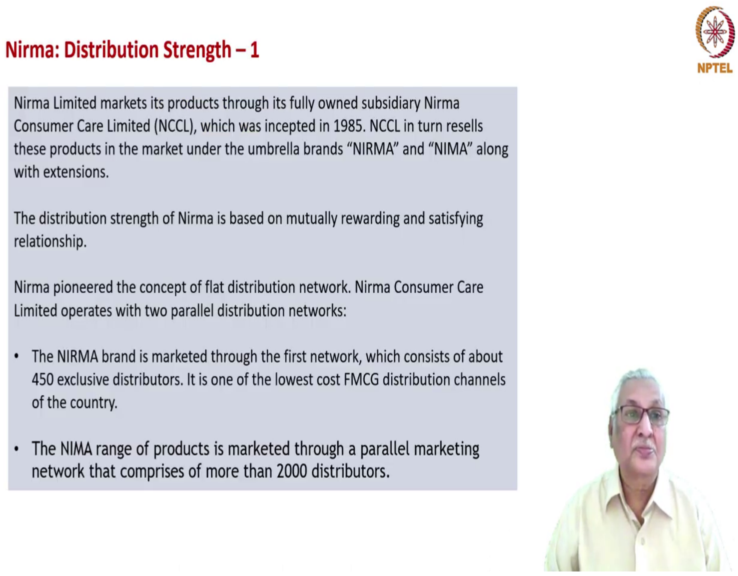

Nirma's distribution strength as I said was because of its singular focus in terms of Nirma consumer care which was incepted in 1985 and which was marketing both Nirma and Nima products. Nirma pioneered the concept of flat distribution network with 450 exclusive distributors under its own exclusive channel and 2000 distributors under the parallel marketing network which was also multi-brand.

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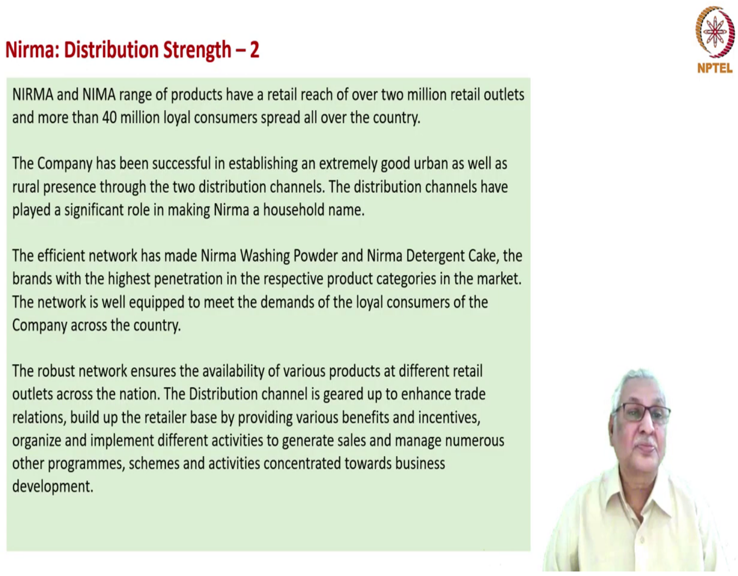

The together these two product ranges had a retail reach of over two million retail outlets and 40 million loyal consumers spread all over the country. The company was also highly successful in establishing an extremely good urban as well as rural presence through the two distribution channels. They have synergized each other and made Nirma a household name.

The efficient network has made Nirma Washing Powder and Nirma Detergent Cake, the brands with the highest penetration in the respective product categories in the market. And, the network was also well equipped to meet the demands of the loyal consumers of the company across the country. The ability to make available various products at different outlet us across the nation was a great strength of the company.

Trade relations were built up continuously. Retailer base was also expanded continuously and the company gave various benefits and incentives to its distributors and retailers to sponsor a very healthy relationship. It also organized always different activities to generate sales and manage numerous other programs schemes and activities which are all concentrated towards business development.

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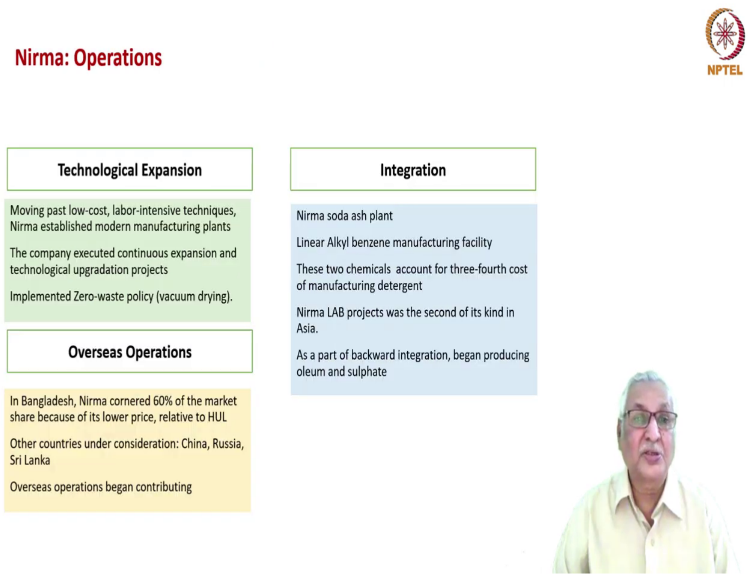

But how did Nirma get it is margins when the volumes were coming down or rather market share was coming down? First, it focused on technological expansion. While it ignored product level technological innovation, it focused lot on manufacturing expansion and manufacturing modernization as well as high technology in manufacturing. Moving past low-cost labor intensive techniques, Nirma established modern manufacturing plants.

The company executed continuous expansion and technological upgradation projects. Implemented zero-waste policy. The second important step was to integrate backwards. It created the soda ash plant and also the linear alkyl benzene manufacturing facility. These two chemicals account for nearly three-fourth the cost of manufacturing detergent because of its strong hold on the basic chemicals, it could leap good EBITDA or good gross margins. Also, these were world scale plants.

Nirma lab projects was the second of it is kind in Asia and as a part of the backward integration approach, it began producing oleum and sulphate which had their own individual markets.

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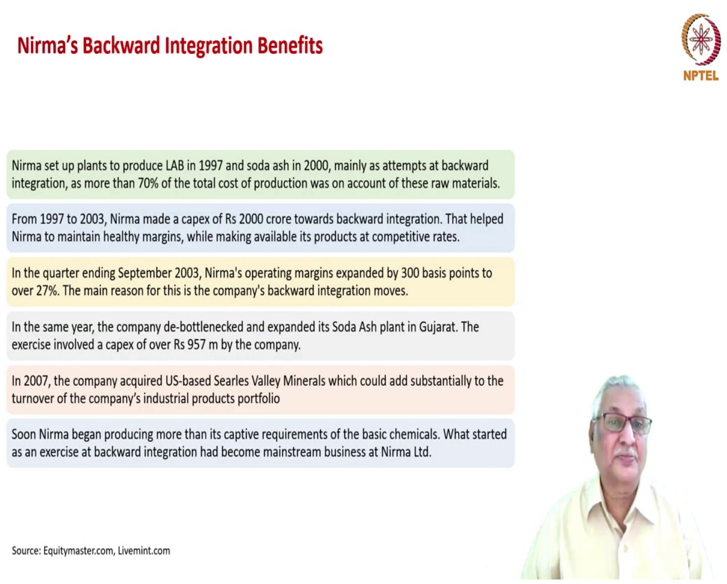

The benefits of backward integration of Nirma are easy to see. It set up the plants to produce lab in 1997 and soda ash in 2000 and more than 70 percent of the total cost as I said was because of these two raw materials. Between 1997 and 2003, Nirma made a Capex of rupees 2000 crores towards backward integration. If you remember the numbers, I have informed you earlier.

It was almost 90 percent of the turnover which existed as an average during the 8 year period I talked about earlier. That is the kind of commitment of capital expenditure Nirma did for backward integration. This, although capital interest will help Nirma to maintain healthy margins while making available its products at competitive rates. In the quarter ending September 2003 for example, Nirma's operating margins expanded by 300 basis points to over 27 percent.

And, without doubt the backward integration was behind this particular gross margin expansion. In the same year, the company de-bottlenecked and expanded its Soda Ash Plant in Gujarat. The exercise involved a Capex of over rupees 957 million by the company. In 2007, the company acquired US-based Searless Valley Minerals which could add substantially to the turnover of the company's industrial products portfolio.

Soon, Nirma began producing more than it is captive requirements of the basic chemicals. What started as an exercise at backward integration had become mainstream business at Nirma Limited.

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So, these are the plants which Nirma had a Soda Ash plant at an investment of 1140 crores with a capacity of 650,000 tons per annum, backed by captive co-generation plant, solid handling plant, energy efficient technology from AKZO Nobel, Netherlands. And, also the only soda ash plant at that point of time in the world with full DCS controls and the best total water management practices. The best total water management practices in the chemical industry.

The second linear alkyl benzene plant with an investment of 630 crore rupees, 75000 tons per annum capacity, it was the only second plant in the world with eco-friendly non-HF technology from UOP, USA. Had a biodegradable product; 70 kilometres of integrated pipeline network for feedstock and 800,000 tons per annum of feedstock with 32 percent market share. Again, it was a DCS controlled fully automatic plant.

The packaging lines were also superb. Full range of packaging facilities, 3500 ton per annum of packaging material and various tonnages of different kinds of films, papers, carters that were required for world class packaging along with 8 color printing machines from Cerruti, Spa, Italy and many multi-line multi-layer extrusion plants having technologies from Germany and UK.

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And in respect of soaps, the company invested 200 crores for making 30 lakh soap pieces per day. Annual sales was 500 crores with the market share of 20 percent not to be dismissed by any stretch of imagination. It became the second largest soap manufacturer in India with four lines of 500 soaps per minute.

In the edible salt area, it set up Asia's largest salt works spread over 30,000 acres with an edible salt capacity of 288,000 tons per annum. Edible vacuum evaporates salt plant with technology from Akzo Nobel Netherlands. Triple effect monel cladded evaporators; fluid bed dryers and human contact free process from water to packaging.

It also had an adjunct of industrial salt with the capacity of 1500000 ton per annum. Other projects were AOS, Alpha Olefin Sulfonate, Sulfuric acid, glycerine and single super phosphate. So, from something which was manufactured in the backyard,Nirma came to a situation of being a globally scaled chemical manufacturer supporting detergents as one of the activities of the integration. So, that is the kind of change that has happened at Nirma.

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The product and manufacturing diversification continued with global acquisitions. In 2007, Nirma acquired the company called Searless Valley Minerals based in California. The company had major operations as a result of that in Searless Valley and in Trona, California, where that company used to be the town's largest employer. SVM has markets in Western

Europe, South America and the Pacific Rim. SVM ships thousands of tons of high grade mineral products daily to major manufacturers in 52 countries.

In 2017, Nirma made another acquisition. It acquired American soda ash producer company Tronox, Alkali. It is the fourth largest soda ash maker in the world. The company had 800 million dollars in revenue during acquisition. The business accounts for around 22 percent of global natural soda ash capacity and over 5 percent of the total production of the chemical.

So, you can see the globalization that was carried out by Nirma even as it was expanding its integration footprint in India.

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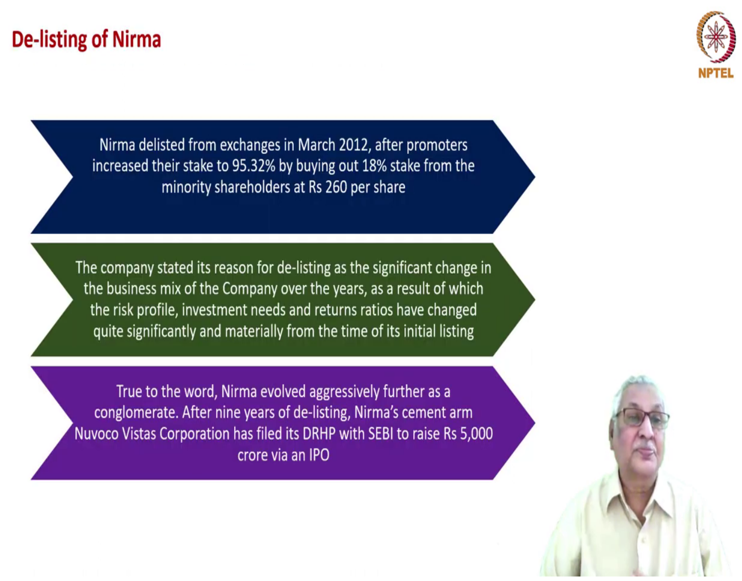

But all of this came with a cost. Investors normally like the core products and performance in the core product basket. Any expansion beyond the core products, particularly if it is unrelated diversification would not be seen favourably by the investors. As a result, Nirma decided to move out of the public listing.

Nirma delisted from exchanges in March 2012, after promoters increased their stake to 95.32 percent by buying out the 18 percent stake held by the minority shareholders at rupees 260 per share, which is a big price at that point of time. The company said that it was delisting because of a significant change in the business mix of the company over the years, as a result of which, the risk profile, the investment needs and returns ratios have changed quite significantly and materially from the time of its initial listing.

True to the word, Nirma evolved aggressively further as a conglomerate. After 9 years of de-listing Nirma's cement arm, Nuvoco Vistas Cooperation has filed its DRHP with SEBI uo raise Rupees 5000 crore via an IPO and it did have a successful IPO.

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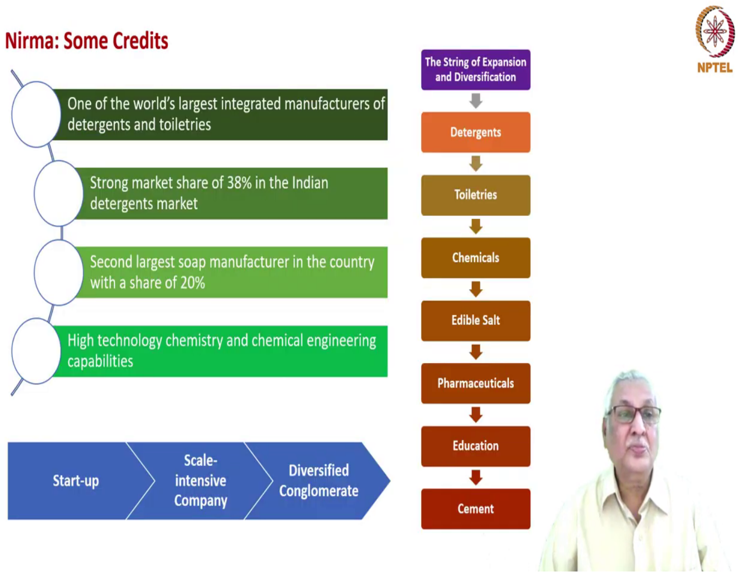

There are some credits, certainly due to Nirma. The company has been one of the world's largest integrated manufacturers of detergents and toiletries. It achieved a strong market share of 38 percent in the Indian detergents market for most of the period. It became the second largest soap manufacturer in the country with a share of 20 percent and it deployed high technology, chemistry and chemical engineering capabilities.

If you see the string of expansion and diversification that has been undertaken by Nirma, some of which I will cover in subsequent slides, it is indeed amazing. From detergents to toiletries to chemicals to edible salt to pharmaceuticals to education and finally, to cement, the range has been extraordinary.

Its it commenced its journey as a start-up, became a scale intensive company and today it is a diversified conglomerate. So, credits are certainly due to Nirma for what it has achieved.

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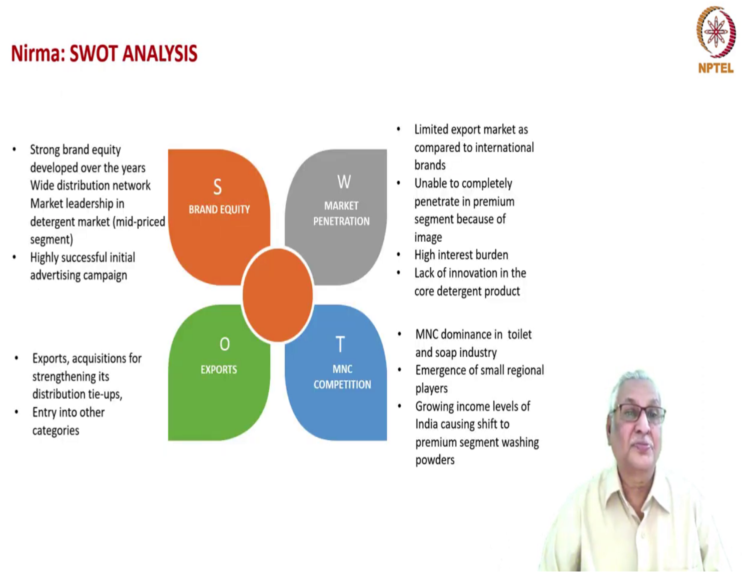

If you look at Nirma as a company as dispassionately as possible and look at the strengths, weaknesses, opportunities and threats, you will find that the strong grand equity that the company developed over the years, the wide distribution network market leadership in the detergents market, particularly the low and mid-priced segment, all constitutes very strong capabilities and position Nirma as a very strong company in those markets.

And, the highly successful initial advertising campaign made sure that the company would have almost perpetual brand equity. The weaknesses or in terms of limited export market as compared to other international brands, unable to completely penetrate in premium segment because of image, high interest burden and lack of innovation in the core detergent product.

As far as exports are concerned, acquisitions for strengthening its distribution types, has played out as a very good opportunity. Entry into other categories has also played out as an excellent opportunity, but the threats did exist and continue to exist. MNC dominance in toilet and soap industry cannot be wished away. There has been an emergence of small regional players over time. Growing income levels of India caused shift to premium segment washing powder as well.

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Nirma's generic competitive strategy has been two-fold basically: 1 – cost leadership from inception; 2 – intensive marketing to create a market for the product and make it a mass market. But in terms of differentiation, the company failed, lack of technical differentiation at the product level, though not at the manufacturing level.

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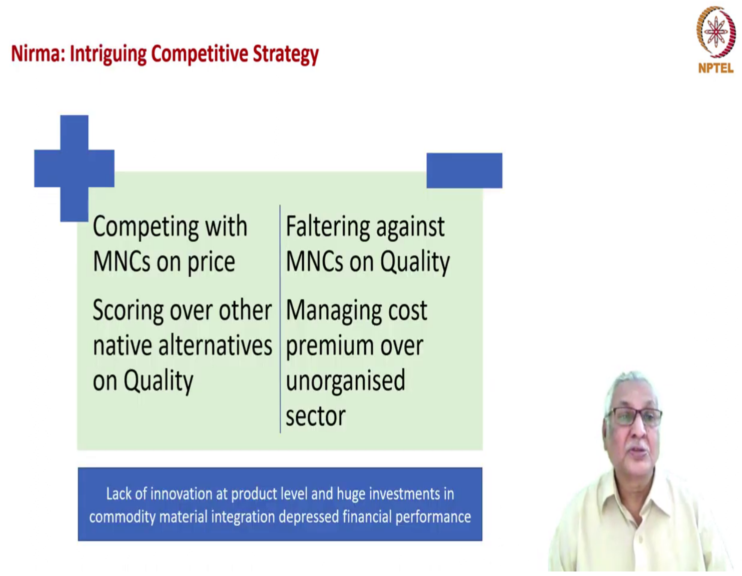

Nirma in fact, at an intriguing competitive strategy, it competed with MNC's on price. It scored over other native alternatives on quality. However, it faltered against MNC's on quality and successfully though it managed cost premium over unorganized sector.

If only the company did more innovation at the product level and the huge investments in commodity material integration were combined with appropriate investments at product level to expand the volumes further the company would have been an even bigger winner and it would not have had the depressed financial performance it saw because of the investments in backward integration and diversification.

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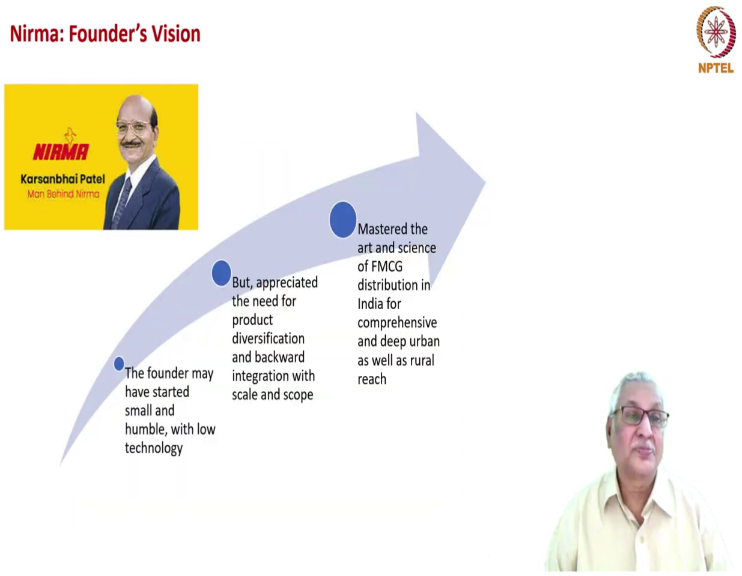

Nirma is a classic case of founder's vision. The founder Karsanbhai Patel may have started small and humble with low technology, but he appreciate the need for product diversification and backward integration with scale and scope and with manufacturing technologies. He mastered the art and science of FMCG distribution in India for comprehensive and deep urban as well as rural reach.

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Nirma: Financials (Rs Crore)

	Mar'11	Mar'10	Mar'09	Mar'08	Mar'07
Net Sales Turnover	3247.25	3117.95	3030.26	2312.69	2539.29
Other Income	14.30	19.17	8.69	30.37	15.90
Total Income	3261.55	3137.12	3038.95	2343.06	2555.19
TOTAL EXPENSES	2825.35	2532.53	2538.97	1967.39	1880.80
Operating Profit	421.90	585.42	491.29	345.30	658.49
EBITDA	436.20	604.59	499.98	375.67	674.39
Profit and Loss for the Year	87.68	238.09	183.29	153.04	109.12

The financials of the company between 2007 and 2011 were as follows. 2539 crores going up to 3247 crores in terms of net sales. Profit and loss came down from 109 crores to 87.68 crores in March 11, although it peaked in the year ending March 2010. So, it has been a kind of roller coaster for Nirma.

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Nirma: Recent Financials (Rs Crore)

Item	YE 31.03.2022	YE 31.03.2021
Revenue	6663.90	5305.87
Total Expenses	5970.46	4458.22
PBT	693.44	747.65
PAT	489.18	533.86
EPS (Rs per share of Rs 5)	32.89	36.44

Recent financials are robust. It had a revenue of 6664 crores in the year ending March 2022 and a PAT of 489 crores. These were trifled down in terms of profitability, although the revenue increased between 2021 financial year and 2022 financial year. The PAT has come down a bit.

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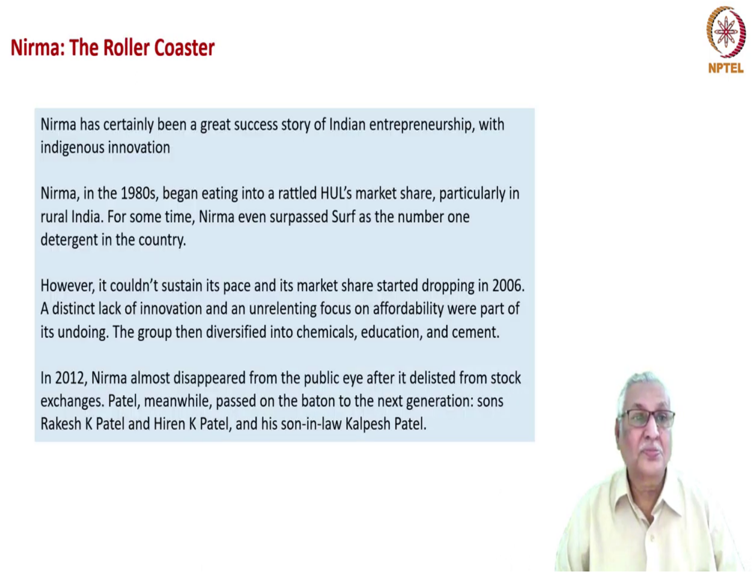

The roller coaster of Nirma has been very patent for us as we have gone through Nirma's achievements and setbacks over the last several slides. Without doubt, it has certainly been a great success story of Indian entrepreneurship, Indian indigenous entrepreneurship with Indian indigenous innovation.

In the 1980s, certainly Nirma began eating into a rattled HUL's market share, particularly in rural India. For some time, Nirma even surpassed Surf as the number one detergent in the country. What Nirma did for Hindustan Lever in India, caused tremors in the Unilever headquarters globally.

However, the unfortunate part was that Nirma could not sustain the pace and the market share started dropping in 2006. A distinct lack of innovation and an unrelenting focus on affordability and affordability alone were part of its undoing. The group diversified into chemicals, education and cement which again are new feathers in the cap. In 2012, Nirma almost disappeared from the public eye after it delisted from stock exchanges.

Patel meanwhile passed on the baton to the next generation: son's Rakesh K Patel and Hiren K Patel and his son-in-law Kalpesh Patel and there starts another story.

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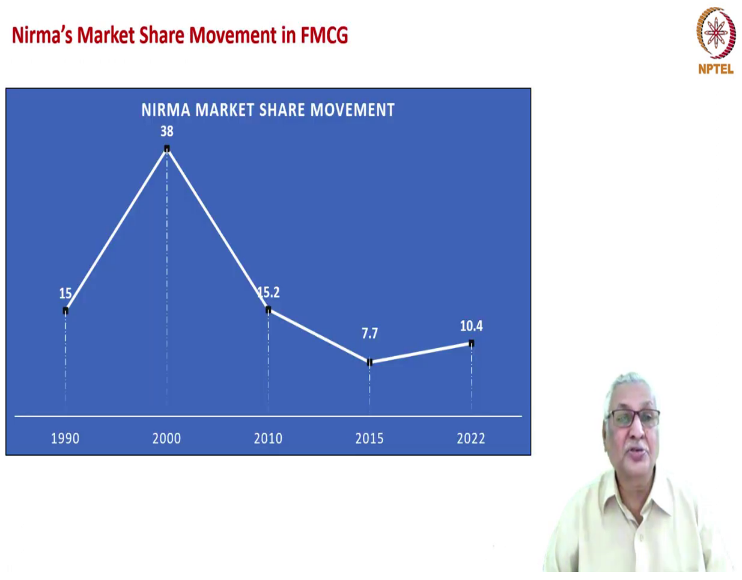

This is the Nirma market share movement. As I said from the average peak of 38 percent in 2000, it came down to 10.4 percent or so in 2022.

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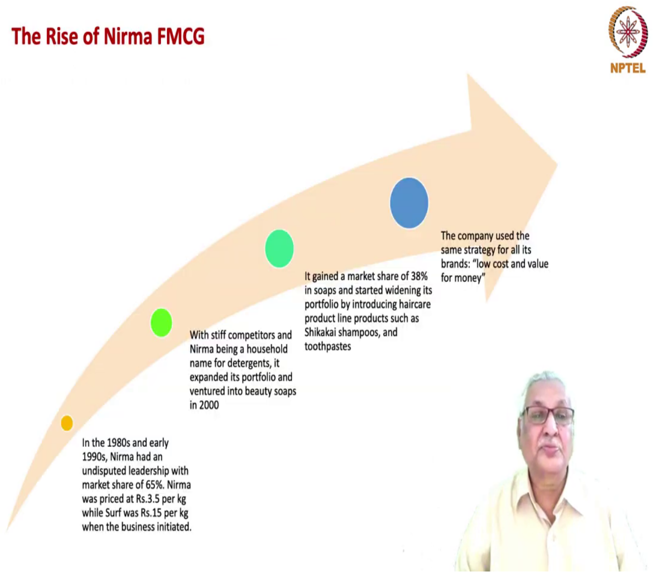

The rise of Nirma FMCG, a 15 percent market share in the 1990s which went into an undisputed 65 percent level in later years, then with stiff competition, it had to expand it is portfolio and venture into beauty soaps in 2000. Gained a market share of 38 percent in FMCG and started winding its portfolio by getting into hair care products. But throughout, it used the same strategy for all it is brands as low cost and value for money.

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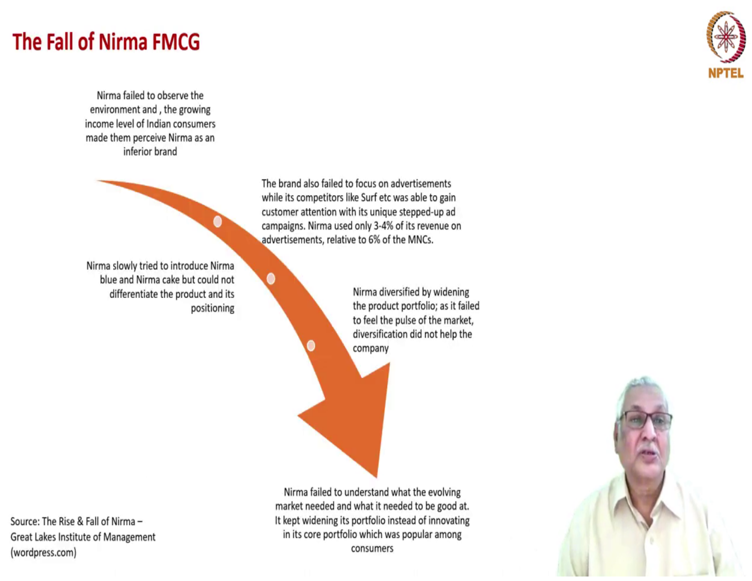

The fall of Nirma FMCG is also very notable. It failed to observe the economic environment and the growing income level of Indian consumers made them perceive Nirma as an inferior brand. This was not appreciated by the company. The brand also failed to focus on advertisements while its competitors like Surf were able to gain customer attention with unique stepped-up ad campaigns.

Nirma used only 3 to 4 percent of its revenue on advertisements relative to 6 percent of the MNCs. Nirma slowly tried to introduce Nirma Blue and Nirma Cake, but could not differentiate the product and its positioning. Nirma did diversify by winding the portfolio, but as it failed to feel the pulse of the market towards premiumization, its diversification which was focused only on low cost did not help the company much.

Ultimately, or in the overall, Nirma failed to understand what the evolving market needed and what it needed to be good at. It kept widening its portfolio instead of innovating in its core portfolio which was popular among consumers.

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Nirma's market share as I said was based on the three segments and in certain segments, the MNC products ruled whereas, in the mass segment alone Nirma's products appeared. And, Ghadi which was launched in 1987 by Muralidhar and Kumar re-enacted what Nirma did to Hindustan Lever this time for Nirma and ensured that it took some market share.

And, today Ghadi is the market leader in the detergent industry with the market share of 17 percent with wheel taking the second position at 16.9 percent and Tide at 13.5 percent. Nirma thus got relegated to a fourth position.

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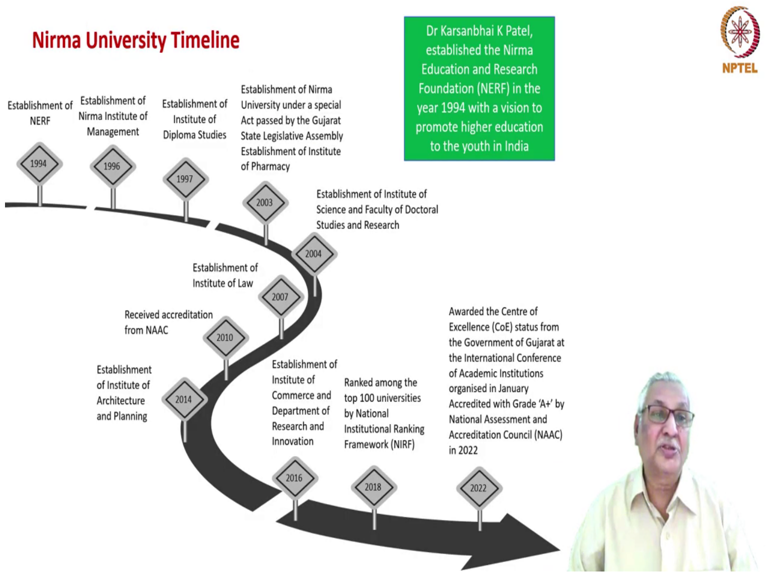

Nirma entered the University Educational Activity. It established Nirma University in 1994 and continuously added new study streams and has the disciplines that Nirma had. And, finally, got the Centre of Excellence Award or Centre of Excellence Status from the Government of Gujarat as one of the top ranking universities.

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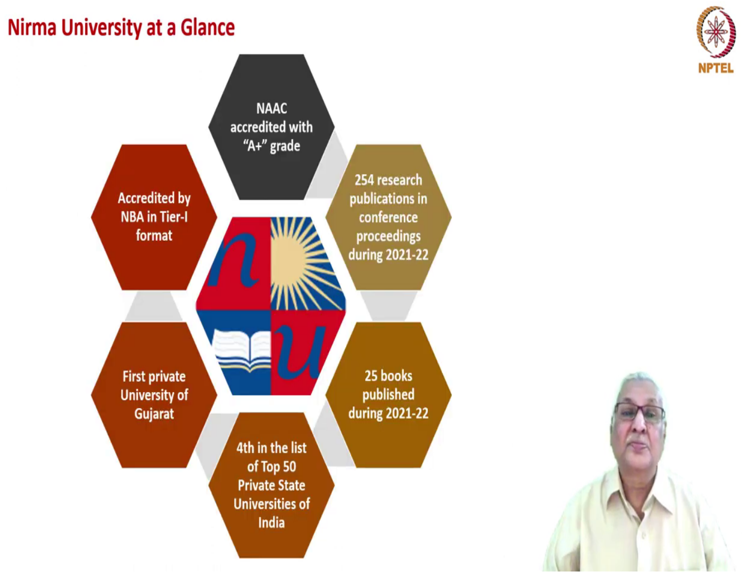

Nirma University at a glance: NAAC accredited; 250 research publications; 25 books published; 4th in the list of top 50 private state universities of India; first private university of Gujarat; accredited by NBA in tier – I that an FMCG company, a chemicals based company, a first generation start-up established a university of this standing and standard is itself a very creditable achievement.

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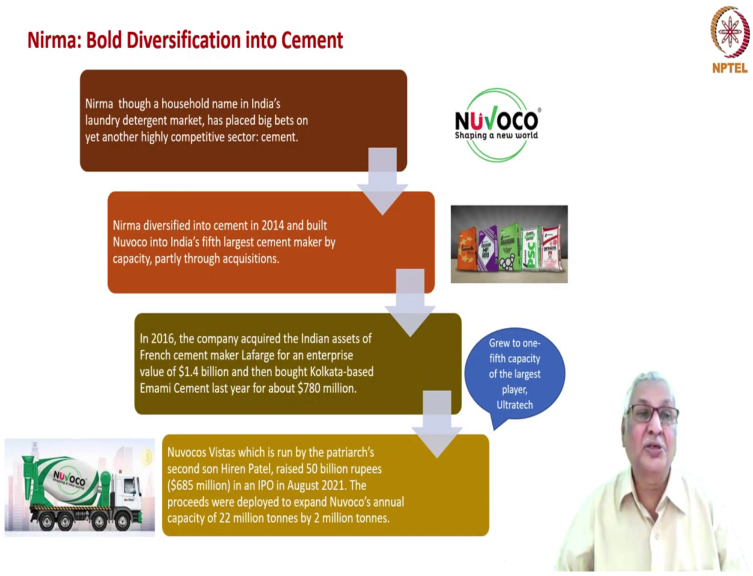

Then of course, the bold diversification into cement. Although Nirma was a household name, it decided to place big bets on highly competitive cement market. It diversified into cement in 2014 and built Nuvoco into India's fifth largest cement maker by capacity partly through acquisitions.

In 2016, the company acquired the Indian assets of French cement maker Lafarge for an enterprise value of 1.4 billion dollars and then bought Calcutta based Emami cement last year for about 780 million dollars. As I said, the patriarch's second son began looking at this cement business and IPO was successful for 50 billion rupees and the proceeds were deployed to expand Nuvoco's annual capacity by 2 million tons to 22 million tons.

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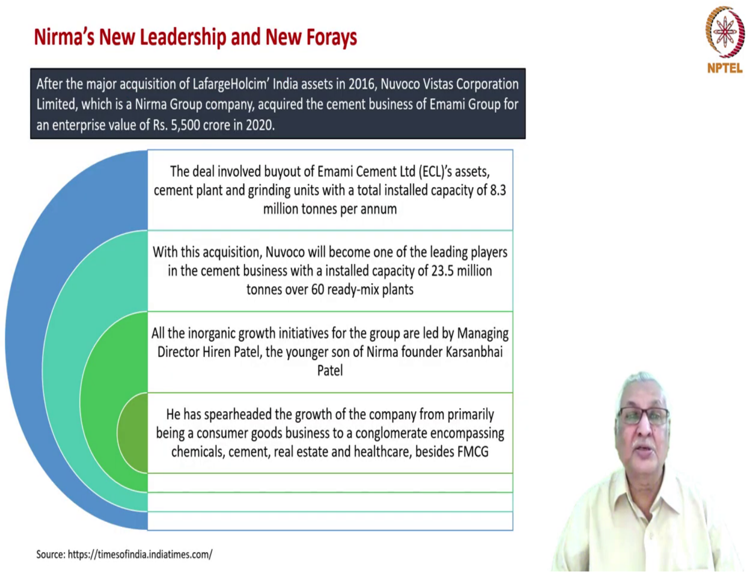

After the major acquisition of LafargeHolcims India assets in 2016, Nuvoco Vista's Corporation Limited which is a Nirma Group company acquired the cement business of Emami Group for an enterprise value of 5,500 crores as I said. With this acquisition, Nuvoco will become one of the leading players in cement business in India with an installed capacity of 23.5 million tons over 60 ready mixed plants.

All these inorganic growth initiatives were led by the Managing Director Hiren Patel, the younger son. He spearheaded the growth of the company from primarily being a consumer goods business to a conglomerate encompassing chemical, cement, real estate and healthcare besides FMCG. This also underlines the fact that at times, new leadership can lead to new forays of business for promoter held companies.

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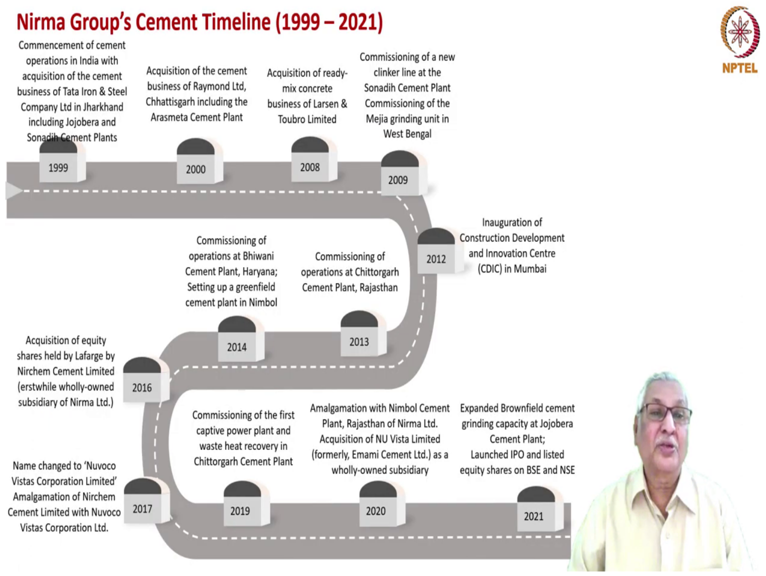

The Nirma Group's Cement life timeline is as follows. The commitment of cement operations in India started in 1999 and it has been a continuous series of acquisitions and a few organic growth initiatives which finally, led to a standing of 24 million tons in the Indian cement industry.

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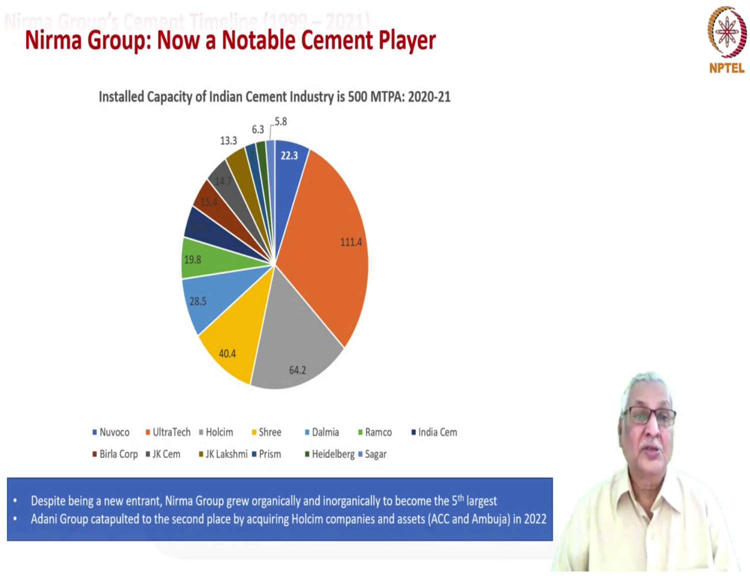

This is the installed capacity of Indian cement industry at 500 MTPA whereas, the actual production is about 300 MT plus. In this, Ultra Tech is the largest company followed by Adani which has acquired the Holcim assets of ACC, Ambuja at 64.2 million tons per annum and a very respectable 22.3 million tons per annum is Nirma Group's cement strength.

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Another important and striking example of Nirma's pension for diversification is its pharma foray. In 2007, Nirma acquired the pharmaceutical company Core Healthcare's Sachana unit in Gujarat. Core Healthcare was known as the largest intravenous fluid manufacturer in India.

Aculife has been incorporated for purpose of taking over the health care division of Nirma. Aculife is a leader now in intravenous fluids manufacturing with the product portfolio comprising electrolytes, blood products, plasma volume expanders etcetera. The company is valued at 100 million dollars has 8 manufacturing plants and 4000 employees with a presence in over 70 countries.

In September 2022, Nirma has bid for Maneesh Pharmaceutical with a vision to expand its business in the pharma vertical. Euphuistically, Nirma's pharma company is the world's largest pharma manufacturing facility expanding 600 plus acres.

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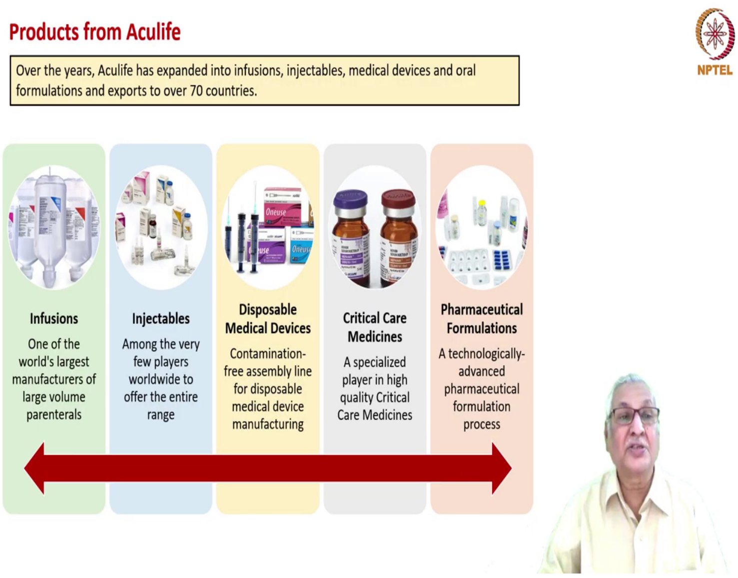

Over the years, Aculife continued to expand its range to include infusions. It is one of the largest manufacturer of large volume parenterals in the world. Injectables amongst the very few players in India to offer the full range; disposable medical devices; critical care medicines and pharmaceutical formulations including tablets, capsules and all kinds of injection vials.

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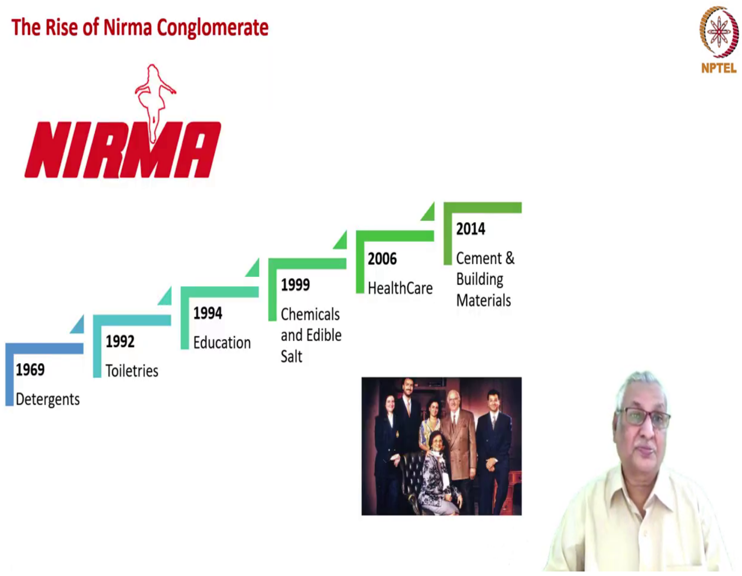

The rise of Nirma conglomerate this is for all offers to see. In 1969, did detergents; 1992 – toiletries; 1994 – education; 1999 – chemicals and edible salt; 2006 – healthcare and in 2014 cement and building materials. If Nirma has achieved this level of capability as a conglomerate, all the credit is due to the entrepreneurship, passion and technological wisdom shown by Karsanbhai Patel in the early journey of Nirma which I will demonstrate as per the milestones chart.

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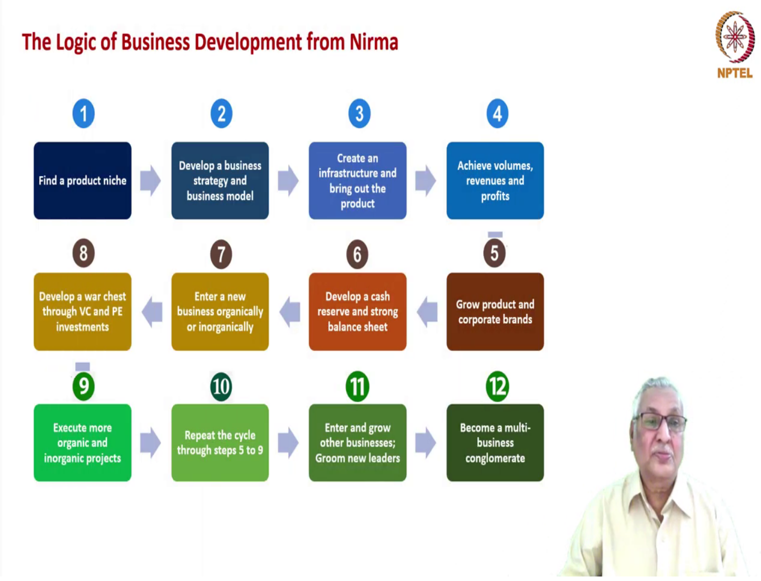

What is the logic of business development from Nirma? First, find a product niche. Develop a business strategy and business model. Create an infrastructure and bring out the product. Achieve volumes, revenues and profits. Grow product and corporate brands. Develop a cash reserve and strong balance sheet. Enter a new business organically or inorganically.

Develop a war chest through VC and PE investments. Execute more organic and inorganic projects. Repeat the cycles through steps 5 to 9. Enter and grow other businesses. Groom new leaders. Become a multi-business conglomerate.

If you recall, whatever I have explained in terms of Nirma's early growth as well as subsequent diversification along with integration, you will find that many of the business model steps, business development model steps that I have outlined here, have been executed appropriately and effectively by Nirma.

And, that explains the logic of business development at Nirma and which is worthy of study, emulation and inspiration.

With this we come to the end of this lecture.

Thank you very much for your attention. I will see you in the next lecture.