

# Consumer Goods Makers Dump Stock As Lockdowns Ease

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Consumer goods makers’ demand remained sluggish even as companies are pushing more stock into the supply chain after states started easing restrictions imposed to contain the second Covid-19 wave, according to distributors.

In some parts of the country, distributors are providing goods to retailers on credit for a longer time as demand hasn’t risen in tandem with inventory, according to five bulk dealers of soaps to shampoos that BloombergQuint spoke with—they preferred to be anonymous out of business concerns.

Typically, a distributor provides stock on credit for seven to 15 days. But that period has doubled in some states. According to the distributors:

- Credit days in some places in Maharashtra have risen to as high as 25-35 days.
- Demand is stable in Gujarat with no change in credit days.
- Demand is still down in Punjab with credit days rising to 35. Liquidity has become a serious issue and credit days are likely to rise further.
- Demand is stagnant in Uttar Pradesh; and it’s fallen in the value added dairy category.
- Credit days remain stable in Odisha.

There may be a respite in June, according to Akshay D’Souza, chief marketing officer at Mobisy Technologies Pvt., the parent of retail intelligence provider Bizom. The [number of active ‘kiranas’](#), or mom-and-pop stores, fell by more than 25% in May, causing sales of consumer goods to fall month-on-month.

Indicators from the first two weeks of June point to a 25% increase in the number of active ‘kirana’ outlets as restrictions ease and operational hours increase, Bizom data showed. “This is aiding an almost 70% recovery from the month-on-month drop in sales we saw in May thus far.”

D’Souza expects an even sharper rise as many more states get into the unlock stage in the second half of June.

Nationwide, FMCG sales tumbled 31.6% over the last month in May, according to Bizom. Sales in urban and rural India fell 34.8% and 30.5%, respectively.

“There was no demand in May, but June is definitely better in terms of demand,” Vimal Pande, chief executive officer at Vi-John Group of Companies, that sells men’s grooming and other personal care products, told BloombergQuint.

Distributors, according to him, typically would extend credit in this kind of scenario, but they did not as they were not sure if retail outlets would open and if they would get their payments. Hence, credit was given only in certain geographies. Wherever credit was extended, it was done so in discretionary categories, he said.

Mayank Shah, product head at Parle Products Pvt., said demand has improved by 15-20% in general trade, while it has improved by 20-35% in modern trade in June, purely due to longer working hours. Hypermarkets and supermarkets were hit harder due to limited working hours last month.

Mom & pop stores, according to Shah, still have the luxury of taking orders and servicing them even at a later time, hence the impact was less severe on the channel.

[Hindustan Unilever Ltd.](#), [Marico Ltd.](#), [Dabur India Ltd.](#) and [ITC Ltd.](#) have yet to respond to BloombergQuint’s emailed queries.



## Selling Less

Month-on-month decline in May (%)

City	State	Fall In Sales Value (%)
Rohtak	Haryana	-72
Jaipur	Rajasthan	-70
Coimbatore	Tamil Nadu	-67
Kochi	Kerala	-66
Kolhapur	Maharashtra	-65
Amritsar	Punjab	-65
Bikaner	Rajasthan	-64
Dehradun	Uttarakhand	-59
Belagavi	Karnataka	-57
Durgapur	West Bengal	-57

Source: Bizom

## Inventory Dumping

Bizom said dumping at the retail level was higher in the beverages and personal care segments in May.

According to the firm, retailers shored up stocks of beverages in the last week of May—their peak season—by as much as 23% higher than the weekly average.

In the personal care segment, Bizom said, distributors and companies dumped goods 88% higher than the average of the last week of May to aid a quick recovery.

Pande of Vi-John, however, said there was no dumping at all in May as markets were not open. Demand, according to him, has come in as markets have now started to open up. He doesn’t expect dumping to happen for a while, and even to dump stocks companies have to give very lucrative incentives to the trade for them to take higher stocks. “We will have to see what happens at the end of the month.”

