

No Cola with Ciggies? Cos are Fuming

Plan to stop cigarette & paan shops from selling consumer goods may hurt FMCG cos

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Mumbai | New Delhi: The government's proposal to stop cigarette and paan shops from selling consumer goods such as soft drinks, biscuits and candy doesn't bode well for companies which expect a decline in sales growth if the move is implemented.

The health ministry had on September 21 sent letters asking state governments to develop a mechanism by which shops will need permission from municipal authorities to sell tobacco products. The letter, which ET has seen, also asks states to prohibit such shops from selling non-tobacco products such as sweets, chips, biscuits and soft drinks in a move to prevent children and those who don't use tobacco from exposure to such products.

"To avoid a harmful product, you can't adopt a blanket ban on all the other products," said B Krishna Rao, category head at Parle Products that sells snacks, confectionery and biscuits, categories which ring up 15-25% of sales from paan shops. "In India, they are 2.5 million, or about a quarter of the country's store universe, and the impact will be huge but we can't quantify unless it is close to implementation."

At an overall level, these shops contribute about 8-10% of the industry's sales, almost at par with modern retail, accord-

ing to industry estimates.

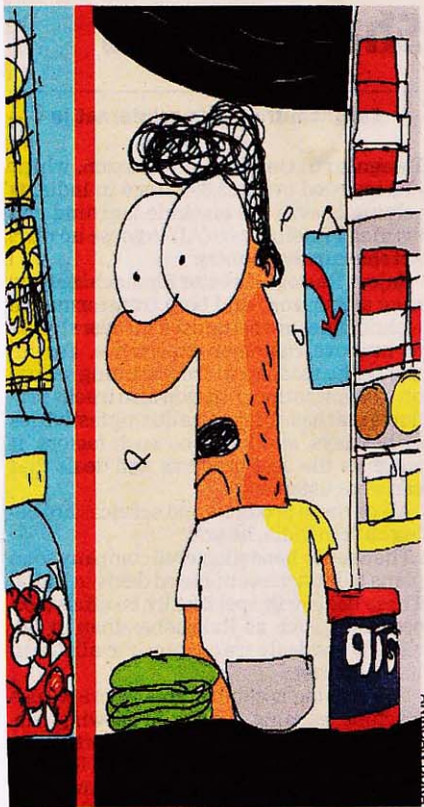
The government has reached out to several state governments seeking suggestions on how to prevent vulnerable groups like children from being exposed to tobacco at stores. The initiative is still being worked out and the ministry is waiting for states' response, said an official. "The letter has just been sent," the official told ET on condition of

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anonymity. "Some mechanism should be there so that vulnerable children aren't exposed like a separate counter for non-tobacco products." Over the past few years, convenience stores have emerged as a significant channel for consumer goods companies, especially

impulse purchases and items in smaller packs. Companies expect a portion of demand to shift to bigger shops if the proposal is implemented.

"There will be an impact on our categories, but we aren't as over leveraged in the channel as some of our competitors," biscuit maker Britannia's managing director Varun Berry said. "So, there will be a short-term blip where impulse buying could reduce, but overall sales could move to other stores over a period of time."



ANIRBAN BORA