

# FMCG



JANUARY 2016

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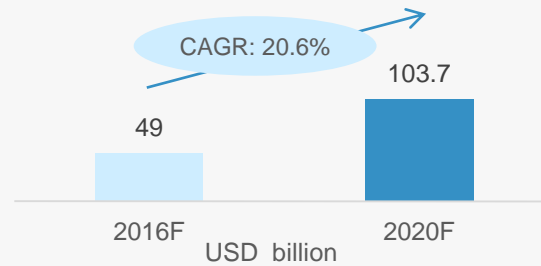
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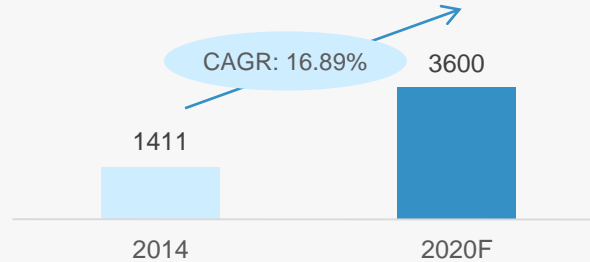
## EXECUTIVE SUMMARY ... (1/2)

Favourable demographics and rise in income level to boost FMCG market



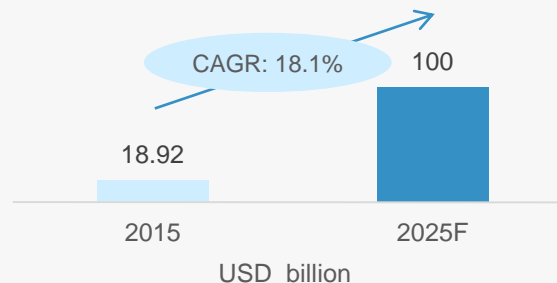
Overall FMCG market expected to expand at a CAGR of 20.6 per cent to USD103.7 billion during 2016F–20F

Total consumption expenditure set to increase



Total consumption expenditure to reach nearly USD3600 billion by 2020 from USD1411 billion in 2014

Rise in rural consumption to drive the FMCG market

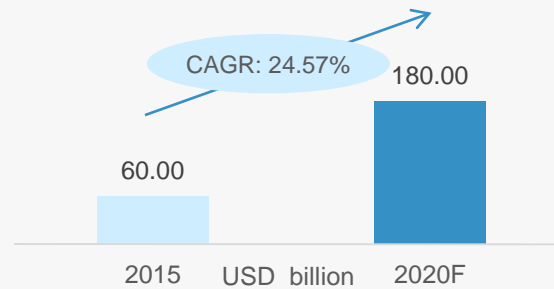


The rural FMCG market expected to increase at a CAGR of 18.1 per cent to USD100 billion during 2015–25F. The overall rural FMCG consumption stands at USD18.92 billion in 2015

Source: World Bank, Emami Reports, Dabur Reports, AC Nielsen, Notes: F (Forecast)

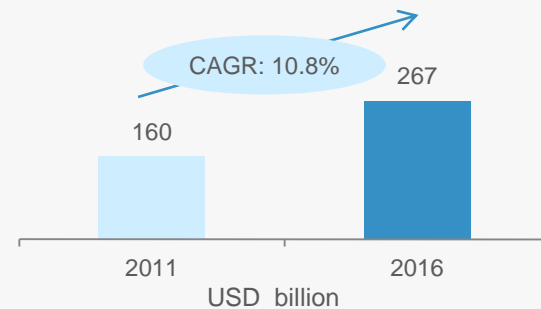
## EXECUTIVE SUMMARY ... (2/2)

India's modern retail is expected to grow three times the present value by 2020



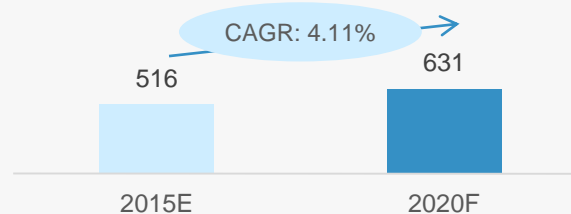
The modern retail market is expected to grow from USD60 billion to USD180 billion during 2015-2020F

India's middle income class to be thrice the total population in Germany by 2016



India's middle income population estimated to reach 267 million by 2016 from 160 million in 2011

Rural India's per capita disposable income set to increase



Rural India's per capita disposable income is estimated to rise to USD631 in 2020 from USD516 in 2015E

Source: Emami Reports, Dabur Reports, AC Nielsen, McKinsey Global Institute (MGI) titled The Bird of Gold, TechSci Research

Note: Germany population is estimated to reach 81.26 million by 2016

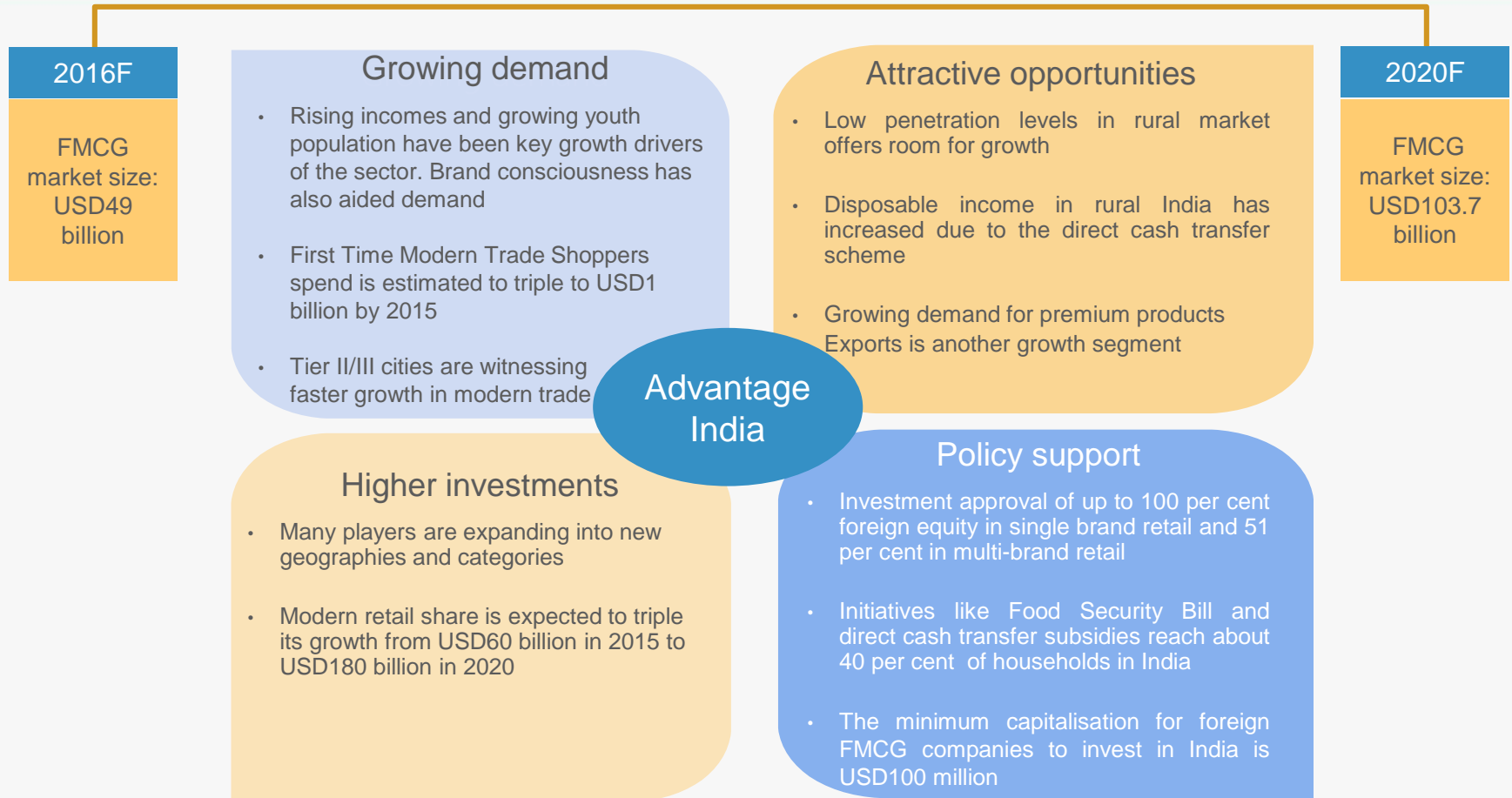
Notes: F-Forecast; E-Estimated

# FMCG



# ADVANTAGE INDIA

## ADVANTAGE INDIA

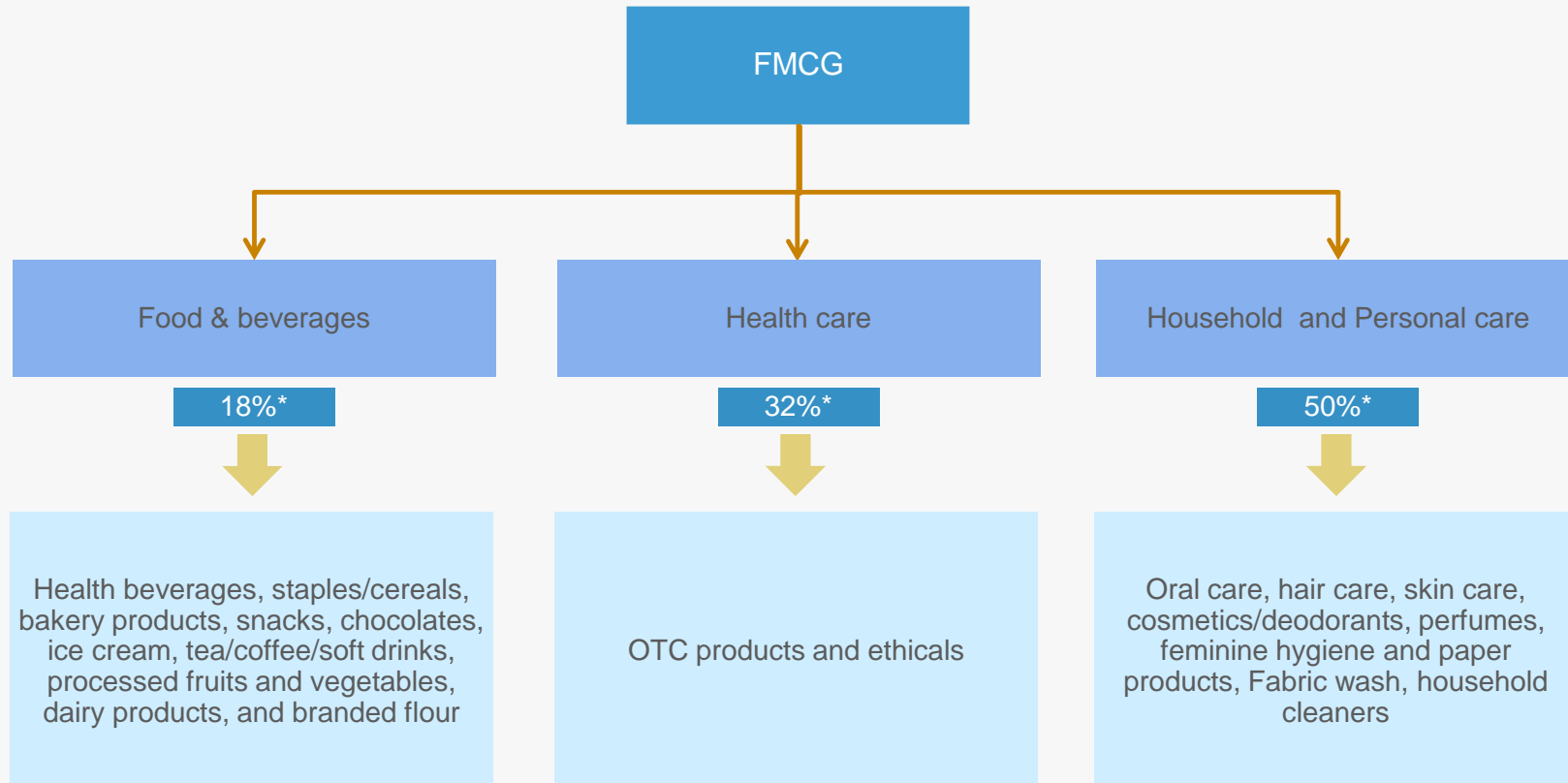


Source: Emami, E – Estimates, TechSci Research



# MARKET OVERVIEW AND TRENDS

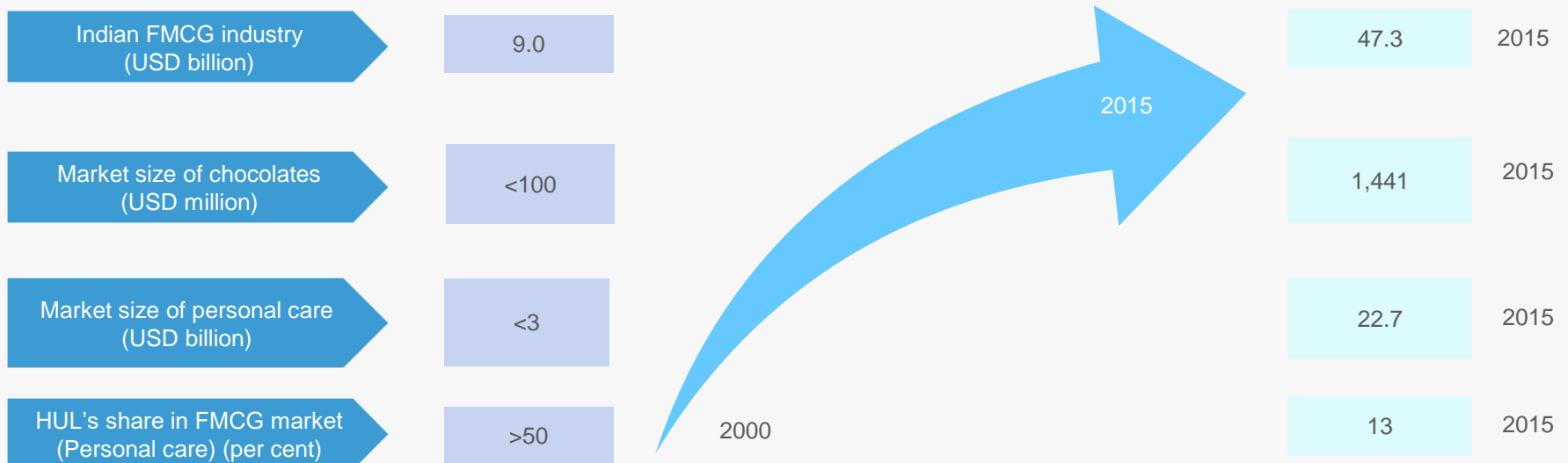
## THE FMCG MARKET HAS THREE MAIN SEGMENTS



Source: Dabur, TechSci Research  
Notes: OTC is over the counter products; ethicals are a range of pharma products,  
\* As on September 2015

## EVOLUTION OF THE INDIAN FMCG SECTOR

- \* FMCG is the fourth largest sector in the Indian economy
- \* Household and Personal Care is the leading segment, accounting for 50 per cent of the overall market. Health care (32 per cent) and Food & Beverages (18 per cent) comes next in terms of market share
- \* Growing awareness, easier access, and changing lifestyles have been the key growth drivers for the sector
- \* Retail market in India is estimated to reach USD1 trillion by 2020 from USD600 billion in 2015, with modern trade expected to grow at 20 per cent per annum this is likely to boost revenues of FMCG companies

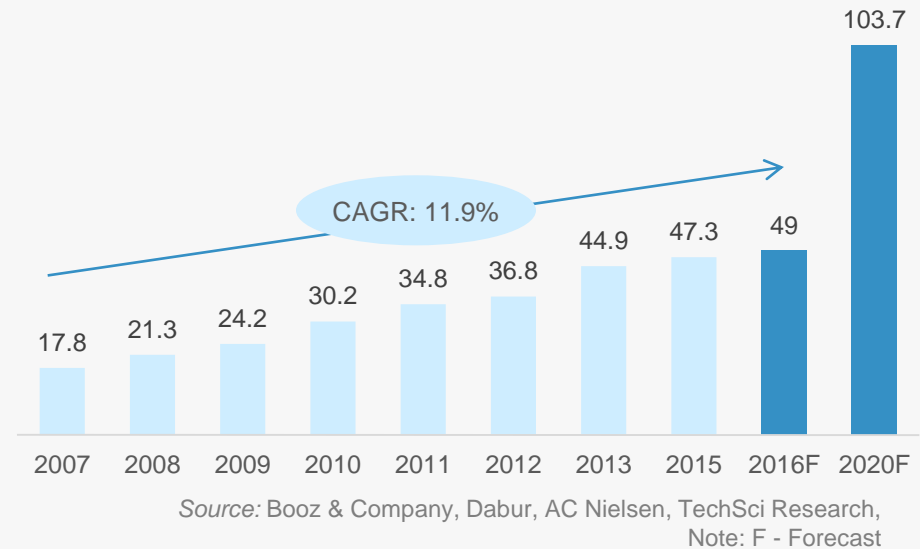


Source: Dabur Annual Report, Economic Times, Emami Annual Report, Mckinsey Global Institute, CII, TechSci Research

## STRONG GROWTH IN THE INDIAN FMCG SECTOR

- \* The FMCG sector in India generated revenues worth USD47.3 billion in 2015
- \* Over 2007-16F, the sector is expected to post CAGR of 11.9 per cent in revenues
- \* In 2016, revenues for FMCG sector is expected to reach USD49 billion

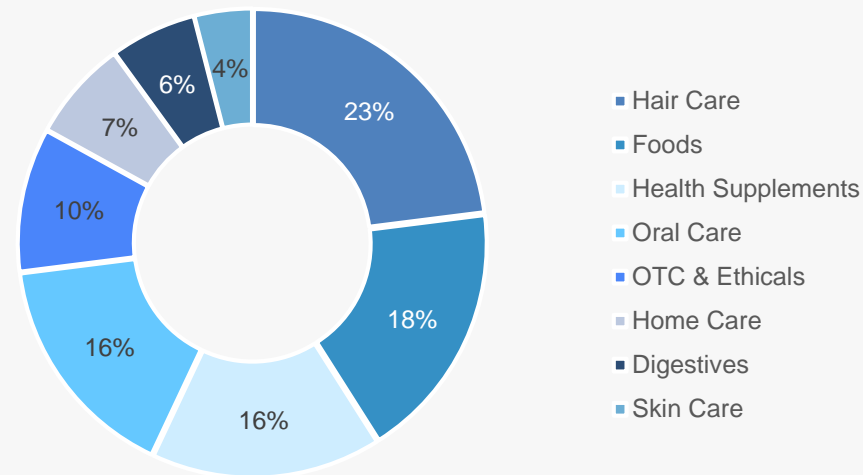
Trends in FMCG revenues over the years  
(USD billion)



## FOOD AND PERSONAL CARE MAKE UP TWO-THIRDS OF REVENUES ... (1/2)

- \* Hair Care is the leading segment, accounting for 23.0 per cent of the overall market in terms of revenue
- \* Food Products is the second leading segment of the sector accounting for 18.0 per cent followed by health supplements and oral care which has a market share of 16.0 per cent

Market break-up by revenue (FY16\*)

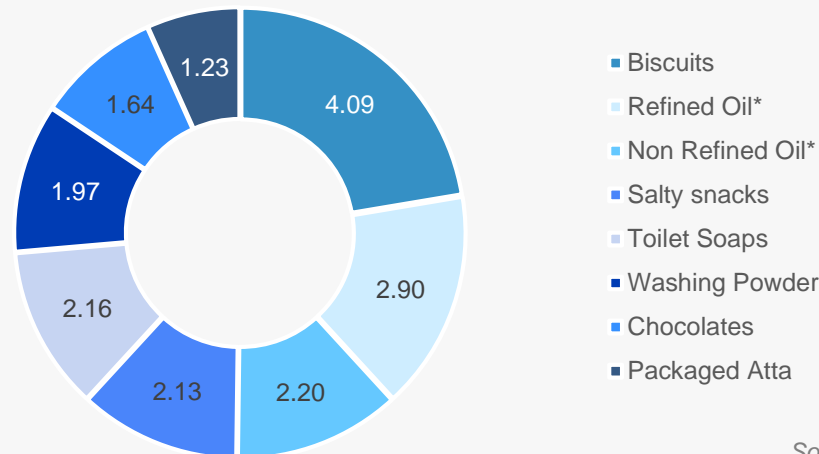


Source: Dabur, TechSci Research  
Notes:\* Till September 2015

## FOOD AND PERSONAL CARE MAKE UP TWO-THIRDS OF REVENUES ... (2/2)

- \* Household and Personal Care products are the largest FMCG segment, constituting around 50 per cent of the total market, followed by health care products (32 per cent)
- \* In 2015-16, the market for packaged atta reached USD1,2 billion and expected to reach USD2.5 billion in 2019-20
- \* In 2015, biscuits market is estimated to be around USD4.1 billion. Britannia has 28 per cent market share in terms of value.
- \* Soft drinks market in India reached around USD10.64 billion in 2015. In 2015, carbonated drinks stood at USD4.09 billion and fruit juice market stands at USD1.31 billion

Revenue of few top selling FMCG (USD billion), 2015

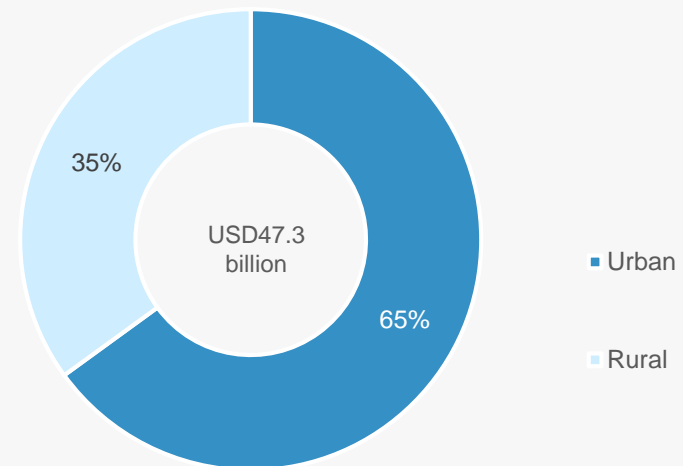


Source: Dabur, AC Nielsen, TechSci Research  
Notes: \* Data is for 2013

## THE URBAN MARKET ACCOUNTS FOR A MAJOR CHUNK OF REVENUES

- \* The urban segment is the largest contributor to the sector, accounting for around 65 per cent of total revenue and had a market size of around USD20.74 billion in 2015
- \* Semi-urban and rural segments are growing at a rapid pace; they currently account for 35 per cent of revenues
- \* In the last few years, the FMCG market has grown at a faster pace in rural India compared with urban India
- \* FMCG products account for 50 per cent of total rural spending

Urban/rural industry break-up (2015)



Source: Emami, TechSci Research

## RISING INCOME AND INCIDENCE OF CHRONIC LIFESTYLE DISEASES

### Rising income; growing middle class

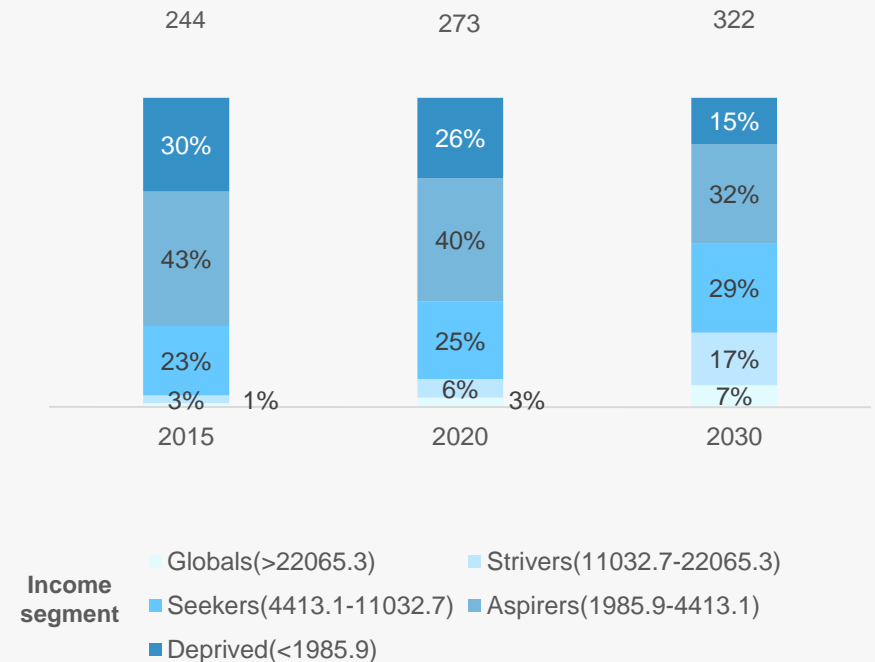
- Per capita income and rural income are increasing
- The number of middle class households (earning between USD3603.01 and USD17933.18 per annum) In 2015, India has 23.6 million adults, who has qualified as middle class
- Rising per capita income leads to increased spending on medical and healthcare services

### Higher incidence of chronic lifestyle diseases

- Lifestyle diseases are set to account for a greater part of the healthcare market
- Lifestyle diseases such as cardiac diseases, cancer and diabetes are treated with the help of biotechnology products, thereby boosting revenues of biotech companies

Notes: Greater distributional efficiencies and increasing demand (especially from rural areas) due to rising disposable incomes have created new markets for products within the country, F - Forecast

Million household, 100%

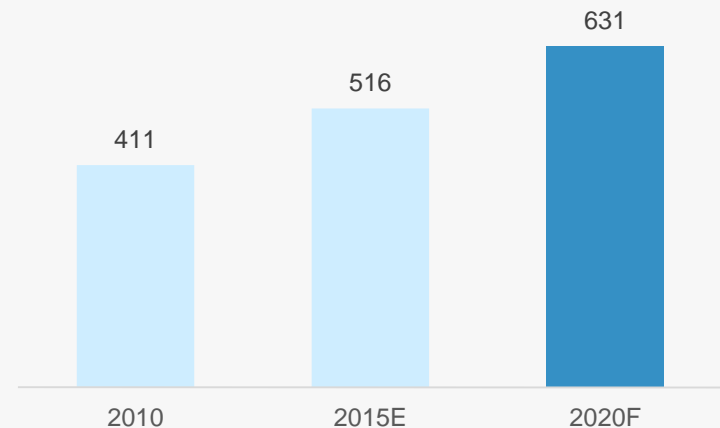


Source: Fortis Healthcare Limited, McKinsey Quarterly, NCAER, TechSci Research

## RURAL SEGMENT QUICKLY CATCHING UP ... (1/3)

- \* In 2015, rural India accounted for more than 40 per cent of the total FMCG market
- \* Total rural income, which is currently at around USD572 billion, is projected to reach USD1.8 trillion by FY21
- \* India's rural per capita disposable income is estimated to increase at a CAGR of 4.4 per cent to USD631 by 2020
- \* As income levels are rising, there is also a clear uptrend in the share of non-food expenditure in rural India

Annual per capita disposable income level in rural region (USD)

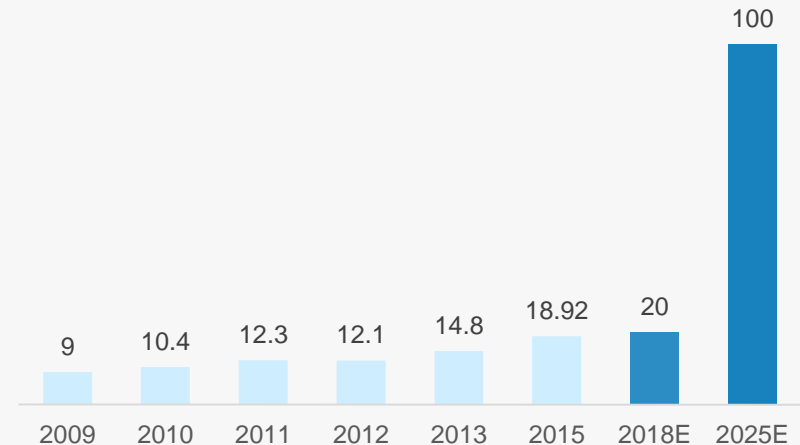


Source: Mckinsey Global Institute: The Bird of gold AC Nielsen, TechSci Research  
Note: F – Forecast  
E: Estimate

## RURAL SEGMENT QUICKLY CATCHING UP ... (2/3)

- \* The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is estimated to cross USD20 billion by 2018 and USD100 billion by 2025
- \* The rural FMCG market is anticipated to expand at a CAGR of 17.41 per cent to USD100 billion during 2009–25
- \* Rural FMCG market accounts for 35 per cent of FMCG market in India
- \* Amongst the leading retailers, Dabur generates over 40-45 per cent of its domestic revenue from rural sales. HUL rural revenue accounts for 45 per cent of its overall sales while other companies earn 30- 35 percent of their revenues from rural areas

Rural FMCG market (USD billion)

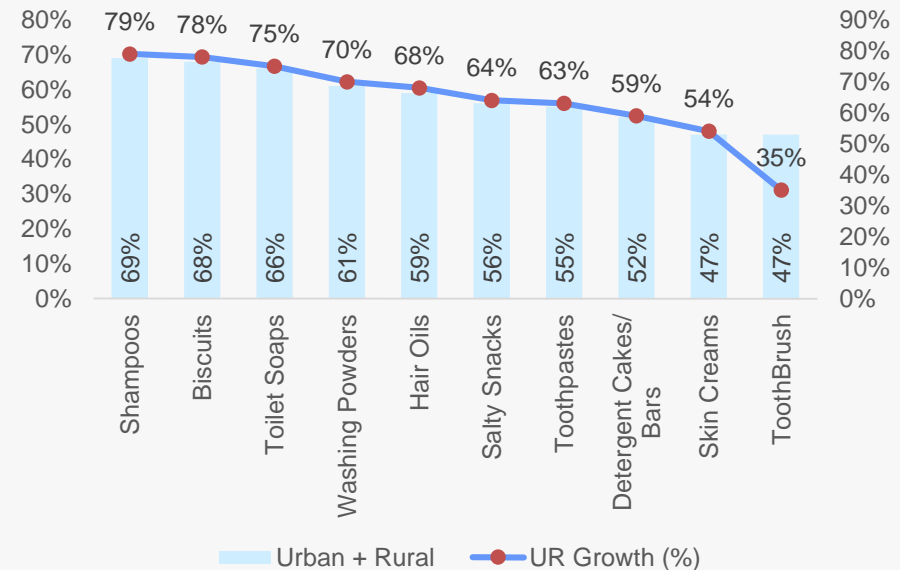


Source: AC Nielsen, TechSci Research, Dabur Reports  
Notes: E-Estimated

## RURAL SEGMENT QUICKLY CATCHING UP ... (3/3)

- \* The urban FMCG market in India has been growing at a fairly steady and healthy rate over the years; encouragingly, the growth in rural markets has been more fast-paced
- \* More than 80 per cent of FMCG products posted faster growth in rural markets as compared to urban ones
- \* Shampoos have maximum penetration at 69 per cent, followed by biscuits at 68 per cent
- \* Skin Creams have been listed in the top 10 category

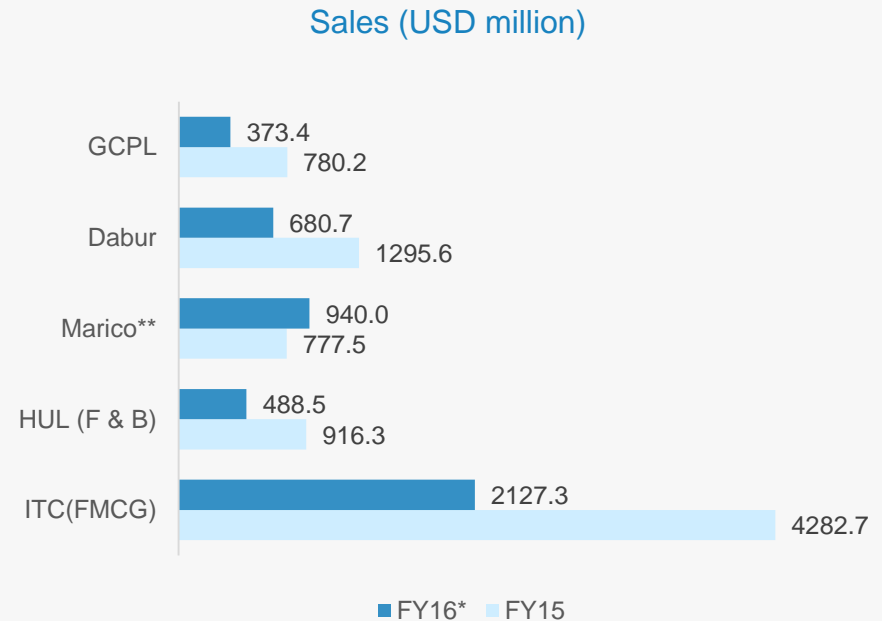
Growth in urban and rural FMCG markets (2014)



Source: AC Nielsen, Dabur, TechSci Research  
Note: UR - Urban Rural;  
Figures are as per latest data available

## INCREASING SALES OF TOP FMCG COMPANIES

- \* Consumer products manufacturers ITC, Godrej Consumer Products Limited (GCPL), Dabur and Marico reported healthy net sales in FY15 and F16\*
- \* Aggregate financial performance of the leading 10 FMCG companies over the past eight quarters displays that the industry has grown at an average 16-21 per cent in the past two years
- \* ITC (FMCG) has generated highest revenue till FY16\*



Source: Company Websites  
Notes: \* Up to September 2015  
\*\* - Data is for 2014 and 2015

## MARKET SHARE OF COMPANIES IN A FEW FMCG CATEGORIES

|             | Market leader  | Others  |  |
|-------------|--|---|--|
| Hair oil    |  29%*   |  17%  |  |
| Shampoo     |  47%    |  27%  |  |
| Oral care   |  54.9%* |  30%  |  13%* |
| Skin care   |  54%   |  12% |  3%  |
| Fruit juice |  55%  |  30% |  |

Source: Industry estimates  
\*: FY16

## NOTABLE TRENDS IN FMCG ... (1/3)

### Consolidation

- Indian FMCG companies are consolidating their existing business portfolios which is leading to divestments, mergers and acquisitions

### Product innovation

- Several companies have started innovating or customising their existing product portfolios for new consumer segments. In 2015, 'Honitus' from Dabur performed well because of its unique non drowsy property.

### Premiumisation

- Despite the slowdown, consumers are willing to buy premium goods at higher prices in the space of convenience, health, and wellness

### Product customisation

- Consumers have started demanding customised products specifically tailored to their individual tastes and needs
- The trend toward mass-customisation of products is expected to intensify further.

### Brand consciousness

- Consumers are becoming more brand conscious and prefer lifestyle and premium range products given their increasing disposable income.
- Companies are required to continuously focus on innovation and customer engagement to strengthen their brand appeal in market

Source: AC Nielsen, TechSci Research

## NOTABLE TRENDS IN FMCG ... (2/3)

### Expanding horizons

- A number of companies are exploring the business potential of overseas markets and several regional markets. In 2015, Godrej Consumer Products Ltd acquired 40 per cent stakes in Cosmetica Nacional a South America based company

### Backward integration

- Backward integration is becoming the preferred strategy for increasing profit margins, securing capacity and sources of supply.

### Focus on rural market

- Companies are now focusing on the rural market segment which is growing at a rapid pace and contributes about 50 per cent to the total FMCG market. Companies like Dabur are trying to increase its penetration in rural areas to generate more revenues from rural India

### Expanding distribution networks

- Companies are now focused on improving their distribution networks to expand their reach in rural India. ITC one of the leading FMCG company in India is trying to reduce its lead time by making its distribution channel more efficient and aiming to reach the retail outlets directly from manufacturing facility

### Third-party manufacturing

- This approach has helped FMCG companies focus on front-end marketing
- Reservation of several items for SSI as well as additional tax incentives have made third party manufacturing a popular route for many big players

Source: AC Nielsen, TechSci Research

Notes: CER - Certified Emission Reductions; SSI - Small Scale Industry

## NOTABLE TRENDS IN FMCG ... (3/3)

### Rising importance of smaller-sized packs

- Companies are increasingly introducing smaller stock keeping units at reduced prices. This helps them to sustain margins, maintain volumes from price-conscious customers and expand their consumer base.

### Increased hiring from tier II/III cities

- Small towns are emerging as significant hiring zones. FMCG companies are hiring field staff from areas such as Kalpa (Himachal Pradesh), Mangaliya (Madhya Pradesh), Kota (Rajasthan), and Shirdi (Maharashtra) to sell diverse products

### Focus on enhancing presence in Africa

- FMCG companies entering Africa as it helps to be close to consumption markets within Africa .In 2015, Godrej had acquired South Africa based company Frika Hair
- Such foreign investments are encouraged by local governments, as they offer incentives to enter the markets

### Reducing carbon footprint and eco-friendly products

- FMCG players in India are increasingly focusing on reducing their carbon footprint by creating eco-friendly products. They generate the required energy from renewable sources and earn CER credits for the same. In India, organic skincare market is estimated to be around USD81.8 million and growing at a rate of 20-25 per cent growth per year

### Increasing private label penetration

- With the rise of retail players, private label has become popular in the FMCG space. Private Label goods are considered substitutes of premium branded goods.

Source: AC Nielsen, TechSci Research  
Notes: CER - Certified Emission Reductions; SSI - Small Scale Industry



# PORTERS FIVE FORCES ANALYSIS

## PORTERS FIVE FORCES ANALYSIS

### Competitive Rivalry

- Private label brands by retailers are priced at a discount to mainframe brands limits competition for the weak brands
- Highly fragmented industry as more MNCs are entering

### Threat of New Entrants

- Huge investments in setting up distribution network and promoting brands
- Spending on advertisements is aggressive

### Substitute Products

- Presence of multiple brands
- Narrow product differentiation under many brands
- Price war

### Bargaining Power of Suppliers

- Big FMCG companies are able to dictate the prices through local sourcing from a fragmented group of key commodity suppliers

### Bargaining Power of Customers

- Low switching cost induces the customers' product shift
- Influence of marketing strategies
- Availability of same or similar alternatives



Source: TechSci Research



## STRATEGIES ADOPTED

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### Promotions & offers

- FMCG companies are trying to influence consumers with intelligent deals
- Firms like ITC offers combo deals to the consumers. For example, in the case of soaps and cosmetics; four soap cases are offered at the price of three, selling the range of deodorants for men and women at a discounted price

### Research online Purchase offline

- The internet enables consumers to make their own research on the kind of products or commodities they want to purchase. One in three FMCG shoppers goes online first and then to the stores
- Almost half of the automobile consumers follow Research Online Purchase Offline (ROPO) method

### Production innovation

- Indian consumers have become choosy and are less likely to stay loyal to a brand
- Colgate-Palmolive has launched a toothpaste for the inflammatory gum problem of pyorrhea
- ITC is coming up with new multigrain Bingo
- Dabur has launched its sugar free variant for Chyawanprash in India

### Customisation

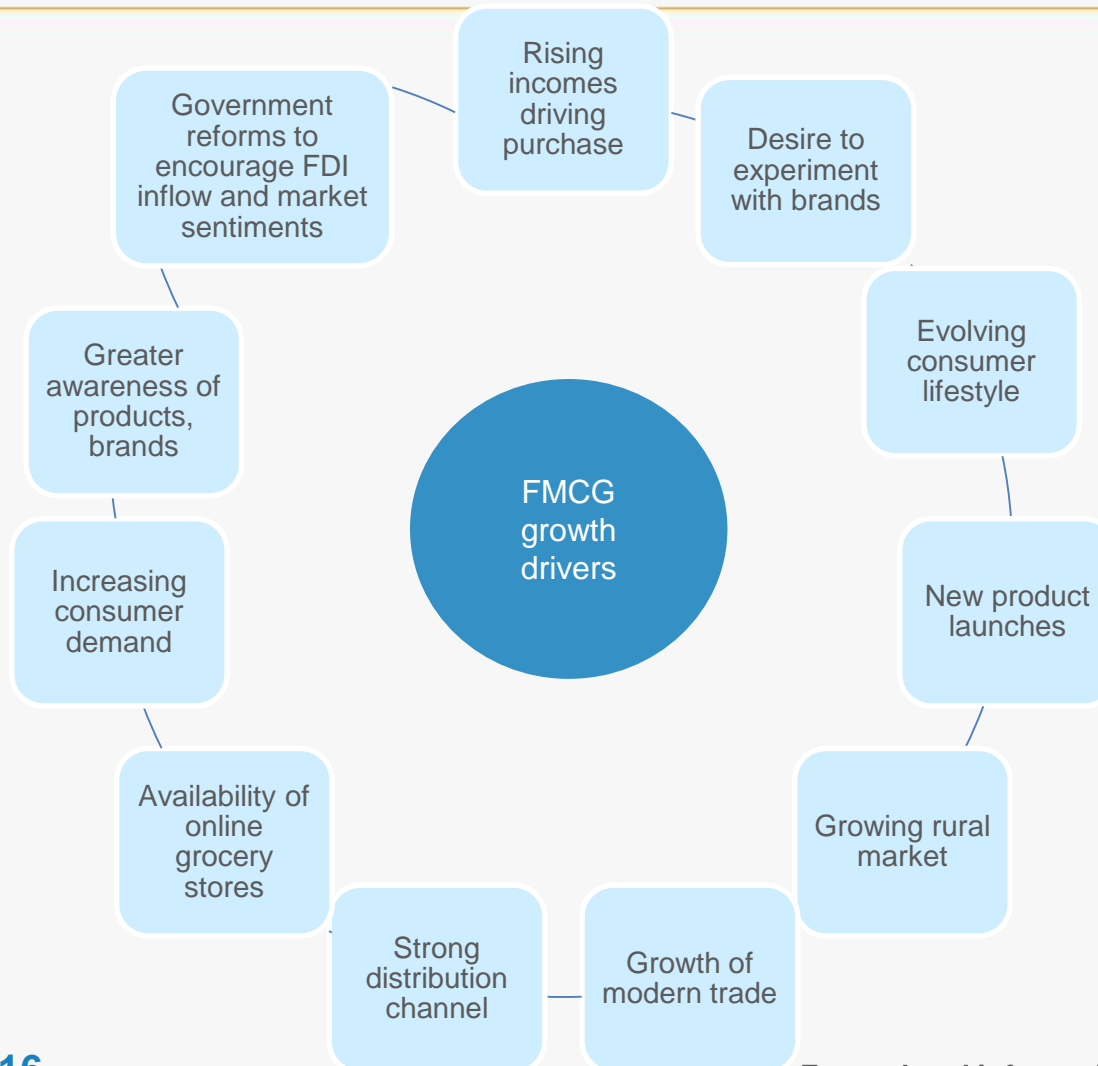
- Product Flanking: Introduction of different combinations of products at different prices, to cover as many market segments as possible
- Different types of same product for different users' population. For example: Calcium Sandoz and Calcium Sandoz Women and Horlicks for older women, Junior Horlicks

Source: AC Nielsen, TechSci Research



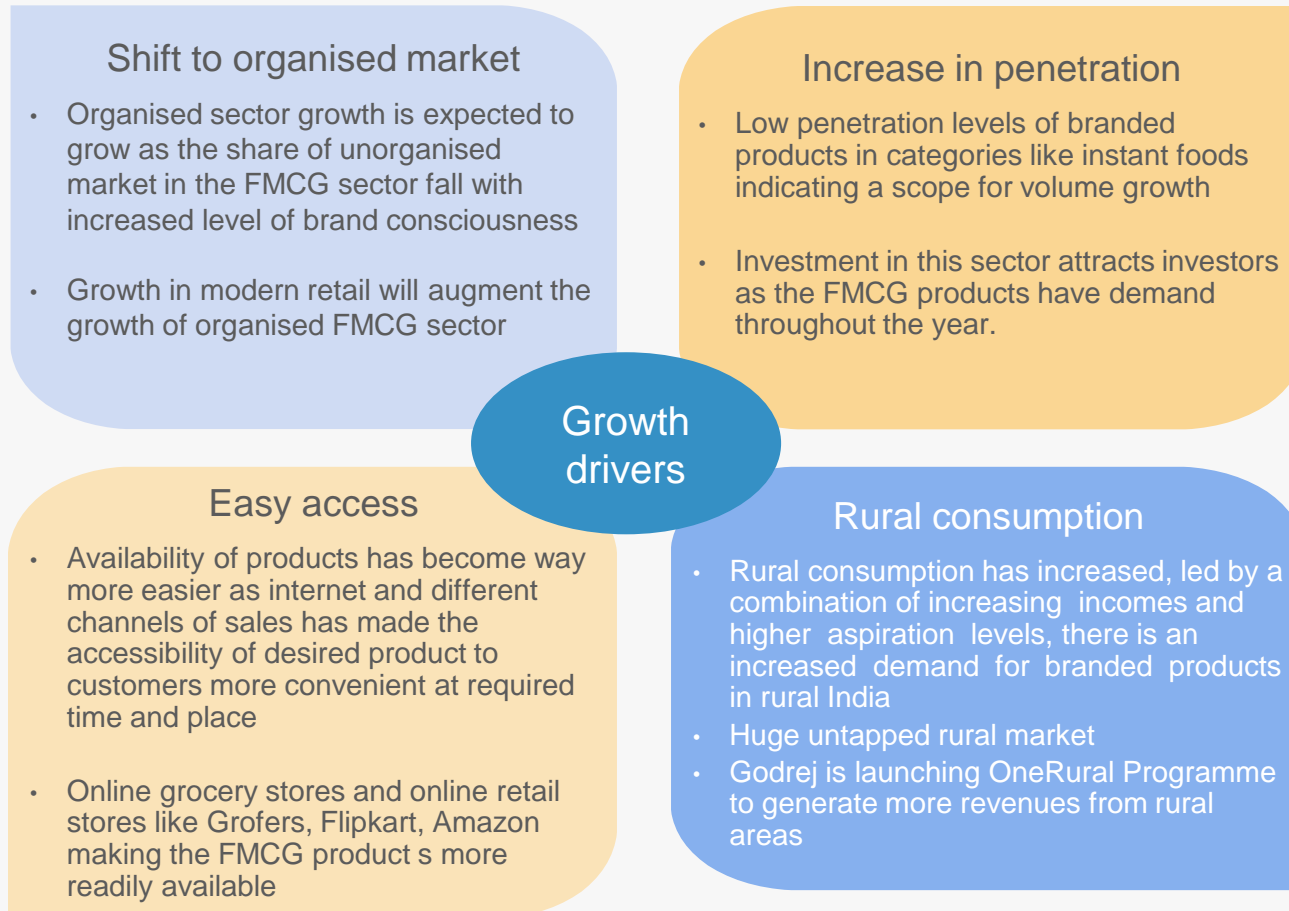
# GROWTH DRIVERS

## GROWTH DRIVERS OF INDIA'S FMCG SECTOR ... (1/2)



Source: Dabur, TechSci Research  
Note: FDI - Foreign Direct Investment

## GROWTH DRIVERS FOR INDIA'S FMCG SECTOR ... (2/2)

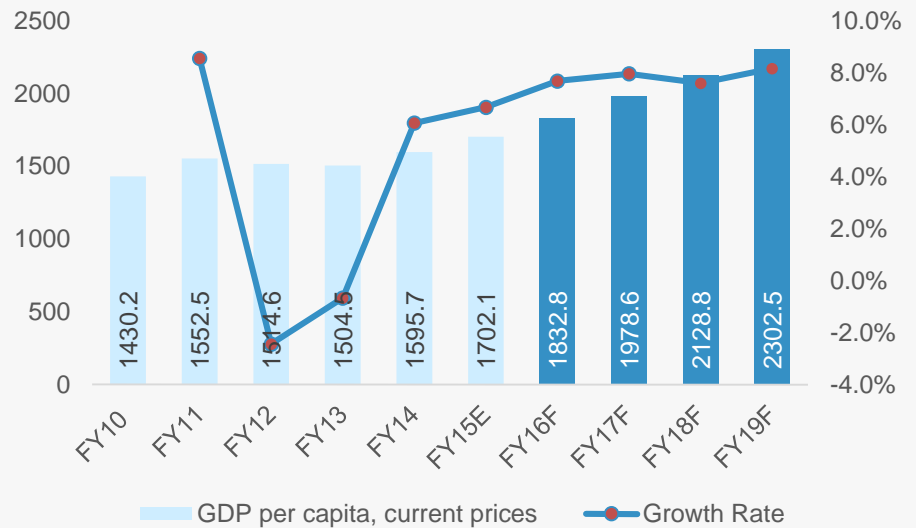


Source: Dabur

## HIGHER INCOMES AID GROWTH IN URBAN AND RURAL MARKETS

- \* Incomes have risen at a brisk pace in India and will continue rising given the country's strong economic growth prospects. According to IMF, nominal per capita income is estimated to have recorded a CAGR of 5.43 per cent over 2010-19E
- \* An important consequence of rising incomes is growing appetite for premium products, primarily in the urban segment
- \* As the proportion of 'working age population' in total population increases, per capita income and GDP are expected to surge
- \* Per capita income is expected to expand at a CAGR of 7.85 per cent for the period 2015-19E

India's nominal per capita income (USD)

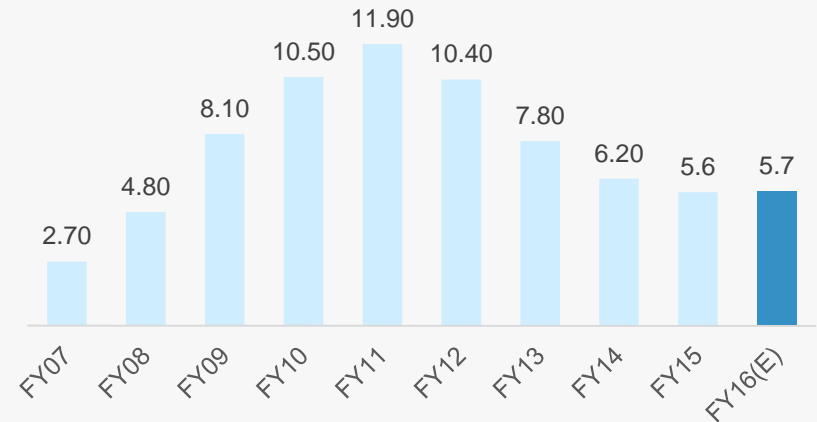


Source: IMF, World Bank, TechSci Research  
Notes: F - Forecasted, E - Estimated, CAGR - Compound Annual Growth Rate

## GOVERNMENT INITIATIVES FOR RURAL DEVELOPMENT

- \* The Indian government has been supporting the rural population with higher MSPs, loan waivers, and disbursements through the NREGA programme. These schemes have empowered the rural masses and increased their purchasing power, thus boosting FMCG consumption
- \* During FY07-16E, fund allocations to NREGA increased at a CAGR of 8.66 per cent to USD5.7 billion by FY16E
- \* The government's focus on rural markets is also encouraging many FMCG companies, such as HUL, Dabur, and ITC, to expand their rural network and increase product penetration
- \* These measures have helped in reducing poverty in rural India and have thus propped up rural purchasing power
- \* Government has taken initiatives like Pradhan Mantri Jan Dhan Yojana through which wage seekers are encouraged to open up bank accounts under Mahatma Gandhi National Rural Employee Guarantee Act

Total funds released by govt. for NREGA (USD billion)

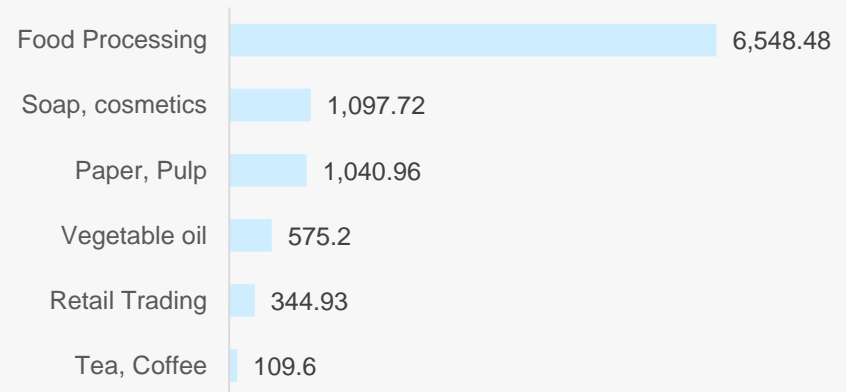


Source: NREGA, TechSci Research  
Notes: MSP is Minimum Support Price, NREGA is National Rural Employment Guarantee Act

## FDI INFLOWS RISE OVER THE YEARS

- \* 100 per cent FDI is allowed in food processing and single-brand retail and 51 per cent in multi-brand retail.
- \* This would bolster employment and supply chains, and also provide high visibility for FMCG brands in organised retail markets, bolstering consumer spending and encouraging more product launches
- \* The sector has been witnessing healthy FDI inflows over the years; during April 2000 to September 2015
- \* Within FMCG, food processing was the largest recipient; its share was 67.4 per cent

Cumulative FDI inflows – From April 2000 to September 2015 (USD million)



Source: DIPP, TechSci Research

## POLICY AND REGULATORY FRAMEWORK ... (1/2)

### Goods and Service Tax (GST)

- Implementation of GST from April 1, 2016.
- The rate of GST on services is likely to be 14 per cent and on goods is proposed to be 20 per cent
- FMCG sector wants an early rollout of the Goods-and-Services tax (GST) so as to reduce supply chain constraints, improve competitiveness of FMCG companies against unorganised players

### Excise duty

- Excise duty on instant tea, quick brewing black tea, and ice tea would be decreased to reduce the retail price by 30 per cent.
- Excise duty on other beverages and lemonade would be decreased to reduce retail sale price by 35 percent

### Relaxation of license rules

- Industrial license is not required for almost all food and agro-processing industries, barring certain items such as beer, potable alcohol and wines, cane sugar, and hydrogenated animal fats and oils as well as items reserved for exclusive manufacture in the small-scale sector

### Statutory Minimum Price

- In October 2009, the government amended the Sugarcane Control Order, 1966, and replaced the Statutory Minimum Price (SMP) of sugarcane with Fair and Remunerative Price (FRP) and the State-Advised Price (SAP)

### FDI in organised retail

- The government approved 51 per cent FDI in multi-brand retail in 2006, which will boost the nascent organised retail market in the country
- It also allowed 100 per cent FDI in the cash and carry segment and in single-brand retail

Source: TechSci Research

## POLICY AND REGULATORY FRAMEWORK ... (2/2)

### Food Security Bill (FSB)

- FSB would reduce prices of food grains for Below Poverty Line (BPL) households, allowing them to spend resources on other goods and services, including FMCG products
- This is expected to trigger higher consumption spends, particularly in rural India, which is an important market for most FMCG companies

### Telecom Regulatory Authority of India (TRAI) advertising regulations

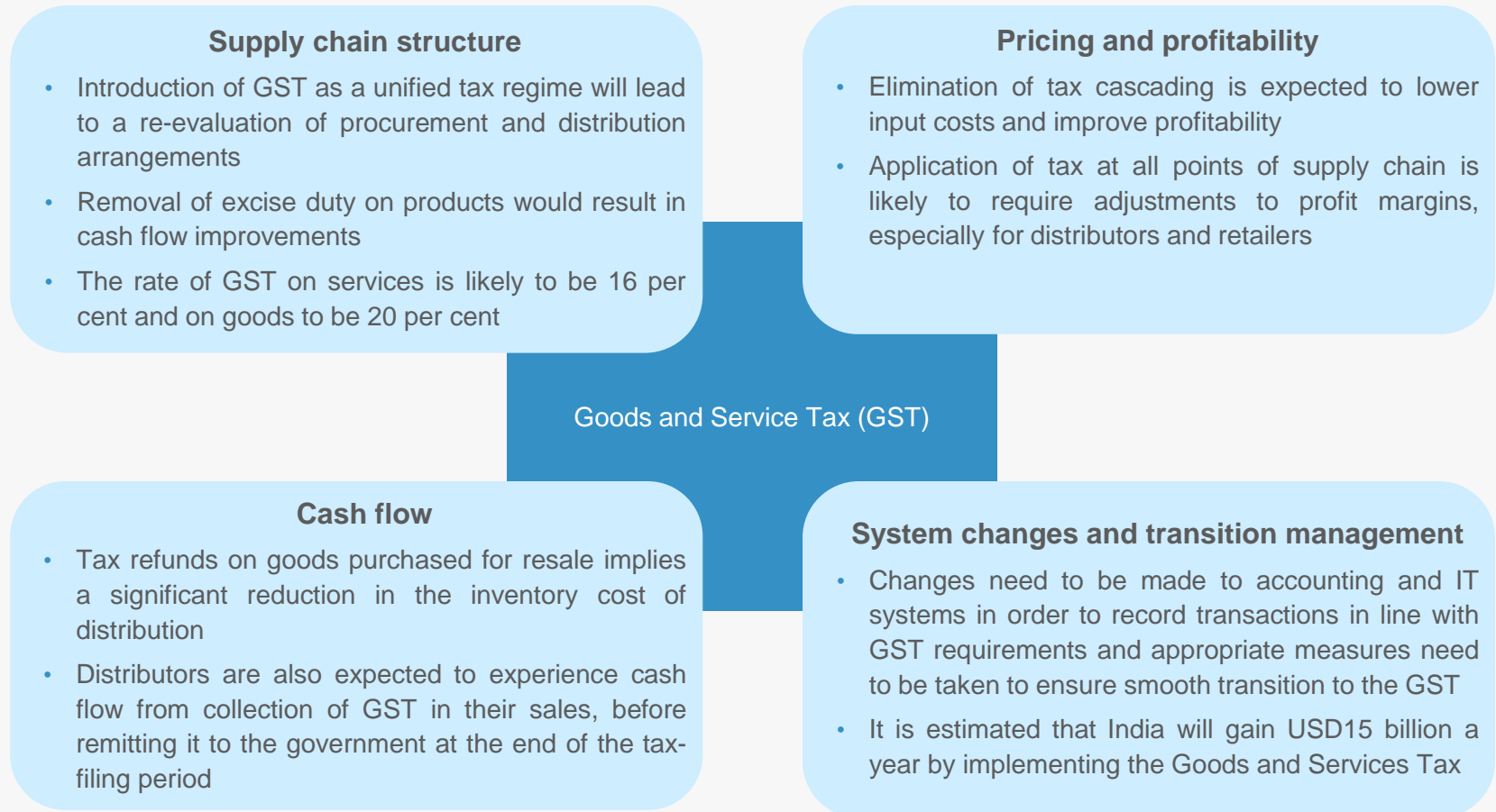
- FMCG companies, which are top advertisers on television (above 50 per cent share), are likely to face the twin risks of reduced inventory to advertise, which could be cut by 25–30 per cent, and increased prices as broadcasters hike prices

### SETU Scheme

- Government has initiated Self Employment and Talent Utilisation (SETU) scheme to boost young entrepreneurs. Government has invested USD163.73 million for this scheme

Source: SBI, Union Budget 2015 – 16, TechSci Research

## NEW GOODS AND SERVICE TAX (GST) TO SIMPLIFY TAX STRUCTURE



Source: GST India, TechSci Research

## KEY M&A DEALS IN THE INDUSTRY ... (1/2)

| Target name (segment)                                      | Acquirer name (segment)                                | Merger/<br>Acquisition |
|--|--|------------------------|
| Kesh King  | Emami  | Acquisition            |
| Johnson & Johnson (Savlon, Shower to Shower)               | ITC  | Acquisition            |
| Fravin   | Emami  | Acquisition            |
| L.D. Waxson, Singapore                                     | Wipro Consumer   | Acquisition            |
| Halite Personal Care India Private Limited (Personal care) | Marico Ltd (Food and personal care)                    | Acquisition            |
| Paras Pharma (Personal care)                               | Marico Ltd (Food and personal care)                    | Acquisition            |
| Namaste group (Personal care)                              | Dabur (Food)   | Acquisition            |
| Cosmetica Nacional (Cosmetics)                             | Godrej Consumer Products Ltd                           | Acquisition            |
| CC Health Care Products Pvt Ltd (Cosmetics)                | Colgate-Palmolive India Ltd (Cosmetics and toiletries) | Acquisition            |
| Noble Hygiene Pvt Ltd (Household and personal products)    | Bennett Coleman & Co Ltd (Publishing)                  | Acquisition            |
| Hobi Kozmetik, Turkey (Personal care products)             | Dabur India (Personal care)                            | Acquisition            |
| Hindustan Unilever Ltd                                     | Unilever PLC   | Acquisition            |
| Bush Foods Overseas Pvt Ltd                                | Hassad Food Co   | Acquisition            |

Source: Company websites, Bloomberg, TechSci Research

## KEY M&A DEALS IN THE INDUSTRY ... (2/2)

| Target name (segment)   | Acquirer name (segment)   | Merger/<br>Acquisition |
|---|---|------------------------|
| Argencos, Argentina (Hair care products)  | Godrej Consumer Products Ltd (Home and personal care)                             | Acquisition            |
| Lotte India Corp Ltd (Food)   | Lotte Confectionery Co Ltd, South Korea (Food)                                    | Acquisition            |
| Megasari, Indonesia (Soap and cleaning products )   | GCPL (Home and personal care)   | Acquisition            |
| Issue Group, Argentina (Hair products)  | GCPL (Home and personal care)   | Acquisition            |
| Tura, Nigeria (Soap and cleaning products )   | GCPL (Home and personal care)   | Acquisition            |
| Tern Distilleries Pvt Ltd (beverages - wine/spirits)  | United Spirits Ltd (Beverages)  | Acquisition            |
| Vale Do Ivaí SA Acucar E Alcool (sugar and ethanol)   | Shree Renuka Sugars Ltd (Food)  | Acquisition            |
| Greenol Laboratories Pvt Ltd (Tea)  | Asian Tea & Exports Ltd (Food - tea)  | Acquisition            |
| Olyana Holding LLC (Tea)  | UK-based Borelli Tea Holdings Ltd, a wholly-owned unit of Mcleod Russel India Ltd | Acquisition            |
| Garden Namkeens Pvt Ltd (Food - misc.)  | Cavinkare Pvt Ltd (Food)  | Acquisition            |
| Bacardi Martini India Ltd's 26 per cent shares from Gemini Distillery Private Ltd (Beverages) | Bacardi Martini BV, Netherlands (Beverages)                                       | Acquisition            |
| Varun Beverages   | Pearl Drinking - Bottling business  | Acquisition            |

Source: Bloomberg, TechSci Research



# OPPORTUNITIES

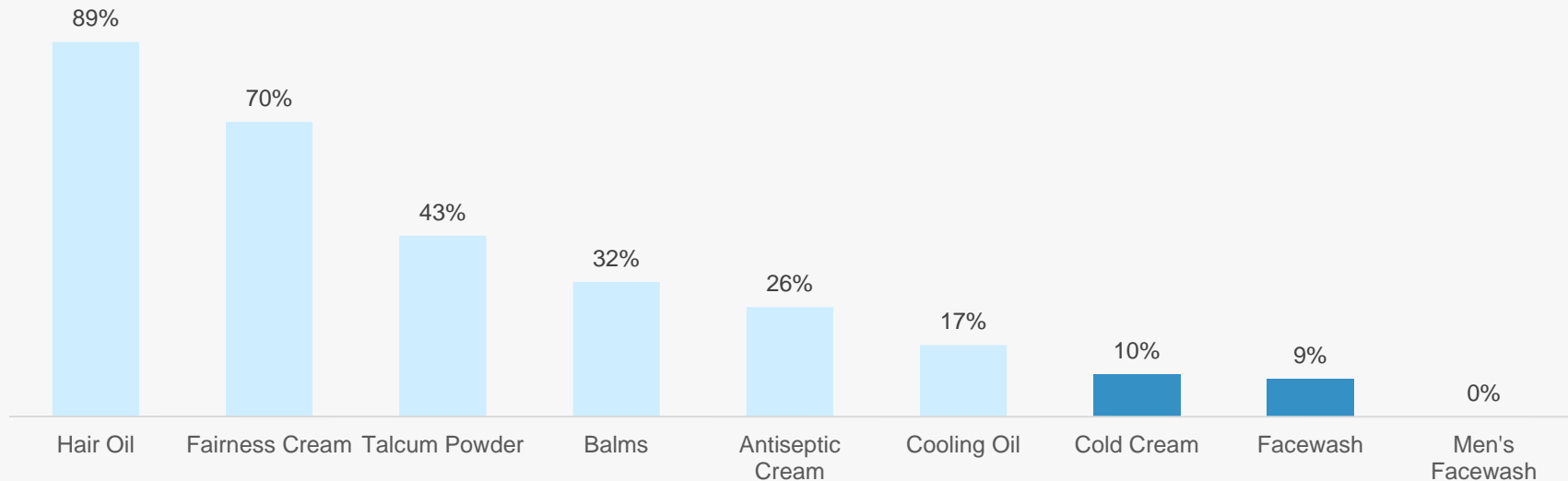
## GROWTH OPPORTUNITIES IN THE INDIAN FMCG INDUSTRY

|                     |  |
|---------------------|--|
| Rural market        | <ul style="list-style-type: none"> <li>Leading players of consumer products have a strong distribution network in rural India; they also stand to gain from the contribution of technological advances such as internet and e-commerce to better logistics. Godrej is focusing on rural market for household insecticides segment. At present, Godrej accounts for 25 per cent of the household insecticides sales from rural areas</li> <li>Rural FMCG market size is expected to touch USD100 billion by 2025</li> </ul> |
| Innovative products | <ul style="list-style-type: none"> <li>Indian consumers are highly adaptable to new and innovative products. For instance there has been an easy acceptance of men's fairness creams, flavoured yoghurt, and cuppa mania noodles, gel based facial bleach, drinking yogurt, sugar free Chyawanprash</li> </ul>   |
| Premium products    | <ul style="list-style-type: none"> <li>With the rise in disposable incomes mid- and high-income consumers in urban areas have shifted their purchase trend from essential to premium products</li> <li>Premium brands are manufacturing smaller packs of premium products. For example, Dove soap is available in 50g packaging</li> <li>In response, firms have started enhancing their premium products portfolio</li> </ul>   |
| Sourcing base       | <ul style="list-style-type: none"> <li>Indian and multinational FMCG players can leverage India as a strategic sourcing hub for cost-competitive product development and manufacturing to cater to international markets</li> </ul>  |
| Penetration         | <ul style="list-style-type: none"> <li>Low penetration levels offer room for growth across consumption categories</li> <li>Major players are focusing on rural markets to increase their penetration in those areas</li> </ul>   |
| Align partnership   | <ul style="list-style-type: none"> <li>Creating strong distribution networks and skills to deliver to the last mile.</li> <li>Entering into partnerships that help to reach market, such as those with farmers, self-help groups, microfinance, NGOs, etc. In 2015, ITC partnered with farmers of MP to improve the living conditions in villages. It aims at improving watershed development programmes where ITC has factory or agri operations</li> </ul>   |

## BIG OPPORTUNITY IN LOWER PENETRATED PRODUCT CATEGORIES

- \* Penetration of many product categories is still low. Even among those where the penetration is higher, per capita consumption is comparatively low, thereby offering scope for high growth in future
- \* Penetration of products such as hair oil and fairness cream is high in the country, but that of some major products, including Cold Cream, Face wash and Men's Face wash is just 10 per cent, 9 per cent and 0 per cent, respectively

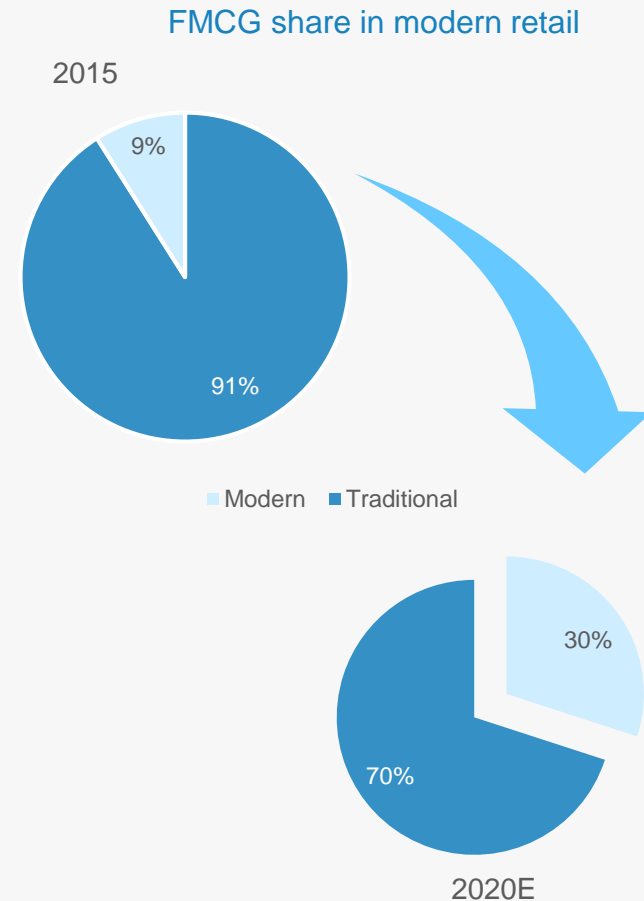
Category penetration in India (FY15)



Source: Emami Investor Presentation June 15, TechSci Research

## INCREASING FMCG SHARE IN MODERN RETAIL

- \* Growth of India's FMCG purchased through modern trade is surpassing growth of FMCG purchased in general trade
- \* In 2015, market size of the organised FMCG sector was 9 per cent of the overall organised retail market and is expected to reach 30 per cent by 2020. This represents the influence of modern retail over the FMCG sector
- \* Share of the modern retail in FMCG sales is estimated to be 10 per cent to 12 per cent by 2016
- \* FMCG companies are partnering with major retail players to increase brand communication and boost their share in modern retail
- \* Modern retail is expected to reach USD180 billion in 2020 from USD 60 billion in 2015. Traditional retail is expected to grow at 10 per cent and modern retail growth rate is expected to be 20 per cent in future. Overall retail market is expected to have 12 per cent growth rate per annum



Source: TCS Report, AC Nielsen, TechSci Research  
Note: E- Estimated

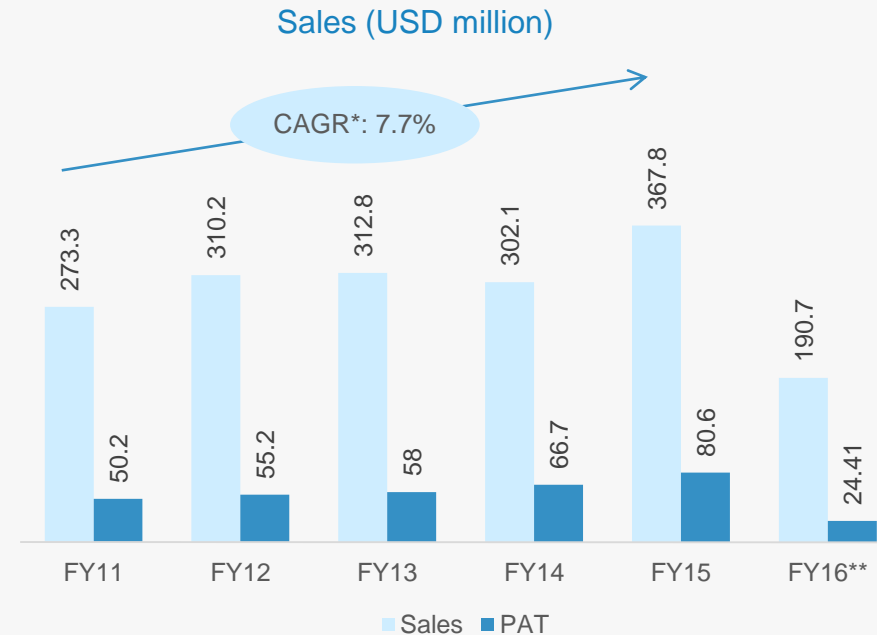


# SUCCESS STORIES

## EMAMI – ONE OF THE FASTEST GROWING FMCG COMPANIES

### Salient features

- Niche category player and innovator
- Key brands are strong market leaders in their respective categories
- Portfolio includes Zandu, one of the strongest Ayurvedic brands
- Over 80 per cent of business comes from wellness categories
- During FY11-15, net sales grew at CAGR of 7.7 per cent to USD367.8 million in FY15 and the profit after tax grew 12.6 per cent to USD80.6 million
- A new product to be launched under the Zandu brand known as 'Zandu Gluco Charge
- Emami has increased focus on OTC products, concentrating on advertising, distribution, and product launches. These initiatives are expected to increase revenue contribution to 8 per cent from 6 per cent by FY16
- Emami scaled up direct distribution in rural markets at CAGR of 12 per cent over FY11–15 to 640,000 outlets. Rural contribution is significant at 55 per cent; hence, direct reach presents opportunity to materially increase throughput per outlet
- In 2015, Emami acquired Kesh King to enter into hair oil market with USD270.38 million

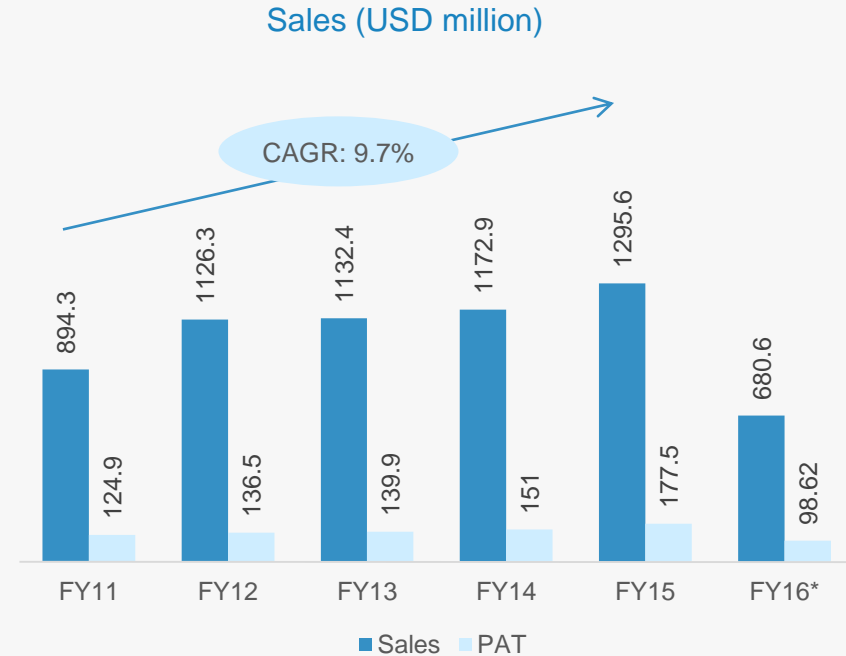


Source: Company reports, Economic Times, TechSci Research  
 Note: \* CAGR is for sales  
 \*\* up to September 2015

## DABUR – RIDING ON STRONG BRAND EQUITY IN INDIA

### Salient features

- Among top four FMCG companies in India
- 14 brands with turnover of USD16.6 million with 3 brands over USD165.9 million
- Wide distribution network covering 2.8 million retailers across the country
- 17 world-class manufacturing plants catering to needs of diverse markets
- Dabur's Vision Plan for 2011-15, successfully got completed with the sales of USD1,295.6 million recording a growth of 9.7 per cent
- In 2015, Dabur launched sugar free Chyawanprash in India

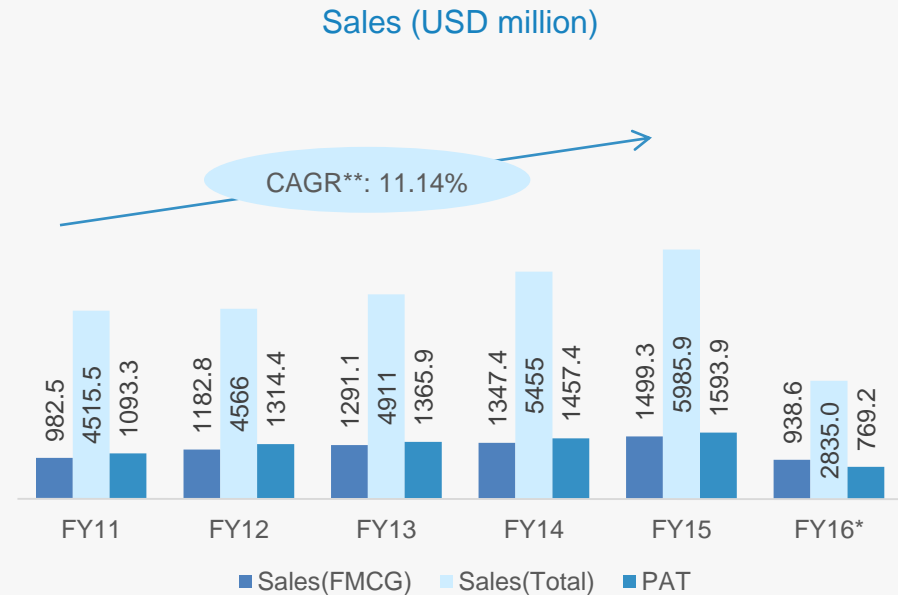


Source: Dabur Annual Report, TechSci Research  
Notes: \* Up to September 2015

## ITC – LEADING FOOD AND BEVERAGES COMPANY

### Salient features

- ITC is one of the foremost company in private sector in terms of sustained value creation, operating profits and cash profits
- It is the only India-based FMCG company to feature in Forbes 2000 List
- ITC is a market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports
- The company is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Personal Care and Stationery
- Its Agri-Business is one of India's largest exporters of agricultural products
- ITC's sales increased at a CAGR of 7.3 per cent between FY11 and FY15 to reach net sales of USD5,985.9 million
- In 2015, ITC launched its One Rural Programme focusing on penetration in villages



Source: Company reports, TechSci Research  
Notes: \* Up to September 2015  
\*\* - CAGR is for Sales (FMCG)



## USEFUL INFORMATION

## INDUSTRY ASSOCIATIONS ... (1/3)

### **Indian Dairy Association**

Secretary (Establishment)

Indian Dairy Association, Sector-IV, New Delhi –110022

Phone: 91-11-26170781, 26165355, 26179780

Fax: 91 11 26174719

E-mail: ida@nde.vsnl.net.in

Website: www.indairyasso.org

### **All India Bread Manufacturers' Association**

PHD House, 4/2, Siri Institutional Area, August Kranti Marg,  
New Delhi –110016

Phone: 91-11-26515137; Fax: 91-11-26855450

E-mail: aibma@rediffmail.com; mallika@phdcci.in

Website: www.aibma.com

### **All India Food Preservers' Association**

206, Aurobindo Place Market Complex

Hauz Khas, New Delhi –110016

Phone: 91-11-26510860, 26518848; Fax: 91-11-26510860

Website: www.aifpa.net

## INDUSTRY ASSOCIATIONS ... (2/3)

### **Federation of Biscuit Manufacturers of India**

PHD House, 4/2, Siri Institutional Area, August Kranti Marg, New Delhi –110016

Phone: 91-11-26515137; Fax: 91-11-26855450

E-mail: fbmi@rediffmail.com; mallika@phdcci.in

Website: www.biscuitfederation.com

### **Indian Soap & Toiletries Manufacturers' Association**

Raheja Centre, 6<sup>th</sup> Floor, Room No 614, Backbay Reclamation, Mumbai – 400021

Phone: 91-22-2824115; Fax: 91-22-22853649

E-mail: istma@bom3.vsnl.net.in

### **Indian Soft Drinks Manufacturers' Association**

702, Ansal Bhawan, 16 KG Marg, New Delhi – 110001

Phone: 91-11-46470200; Fax: 91-11-23327747

## INDUSTRY ASSOCIATIONS ... (3/3)

### **The Solvent Extractors' Association of India**

142, Jolly Maker Chambers, No 2, 14<sup>th</sup> Floor, 225, Nariman Point,  
Mumbai – 400021

Tel: 91-22-22021475, 22822979; Fax: 91-22-22021692

E-mail: [solvent@mtnl.net.in](mailto:solvent@mtnl.net.in)

Website: [www.seaofindia.com](http://www.seaofindia.com)

### **Vanaspati Manufacturers' Association of India**

903, Akashdeep Building, 26-A, Barakhamba Road,  
New Delhi –110001

Phone: 91-11-23312640; Fax: 91-11-23315698

- \* **FDI:** Foreign Direct Investment
- \* **MSP:** Minimum Selling Price
- \* **NREGA:** National Rural Employment Guarantee Act
- \* **FY:** Indian Financial Year (April to March)
  - \* So FY09 implies April 2008 to March 2009
- \* **SEZ:** Special Economic Zone
- \* **MoU:** Memorandum of Understanding
- \* Wherever applicable, numbers have been rounded off to the nearest whole number

## EXCHANGE RATES

Exchange rates (Fiscal Year)

| Year              | INR equivalent of one USD |
|-------------------|---------------------------|
| 2004-05           | 44.81                     |
| 2005-06           | 44.14                     |
| 2006-07           | 45.14                     |
| 2007-08           | 40.27                     |
| 2008-09           | 46.14                     |
| 2009-10           | 47.42                     |
| 2010-11           | 45.62                     |
| 2011-12           | 46.88                     |
| 2012-13           | 54.31                     |
| 2013-14           | 60.28                     |
| 2014-15           | 61.06                     |
| 2015-16(Expected) | 61.06                     |

Exchange rates (Calendar Year)

| Year           | INR equivalent of one USD |
|----------------|---------------------------|
| 2005           | 43.98                     |
| 2006           | 45.18                     |
| 2007           | 41.34                     |
| 2008           | 43.62                     |
| 2009           | 48.42                     |
| 2010           | 45.72                     |
| 2011           | 46.85                     |
| 2012           | 53.46                     |
| 2013           | 58.44                     |
| 2014           | 61.03                     |
| 2015(Expected) | 63.72                     |

Average for the year

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