

# FMCG



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# FMCG



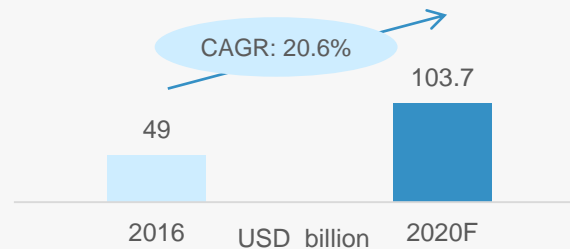
## CONTENTS

- ❖ [Executive Summary.....3](#)
- ❖ [Advantage India.....5](#)
- ❖ [Market Overview and Trends.....7](#)
- ❖ [Porters Five Forces Analysis .....21](#)
- ❖ [Strategies Adopted.....23](#)
- ❖ [Growth Drivers.....25](#)
- ❖ [Opportunities.....36](#)
- ❖ [Success Stories.....40](#)
- ❖ [Useful Information.....44](#)



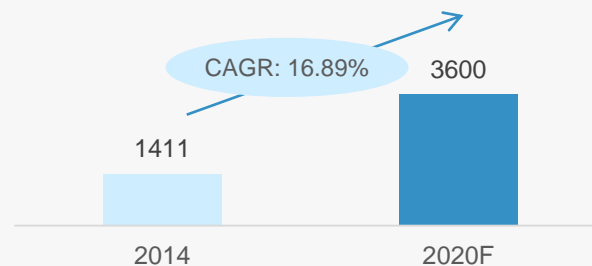
## EXECUTIVE SUMMARY ... (1/2)

Favourable demographics and rise in income level to boost FMCG market



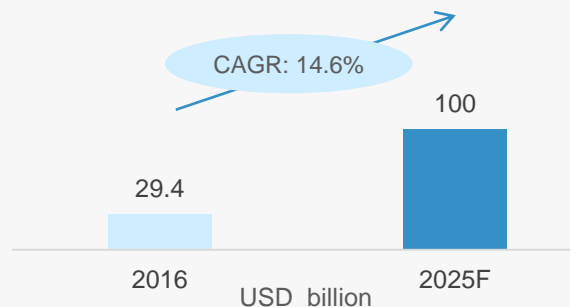
During 2016–2020, FMCG market in India is expected to grow at a CAGR of 20.6 per cent and is expected to reach USD103.7 billion by 2020

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

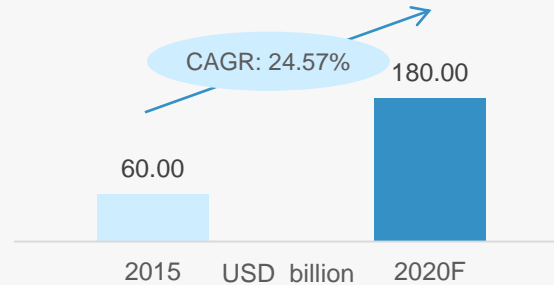


The rural FMCG market in India is expected to grow at a CAGR of 14.6 per cent, during 2016–2025 and reach to USD100 billion by 2025. As of 2016, the overall rural FMCG consumption stands at an estimated USD29.4 billion

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

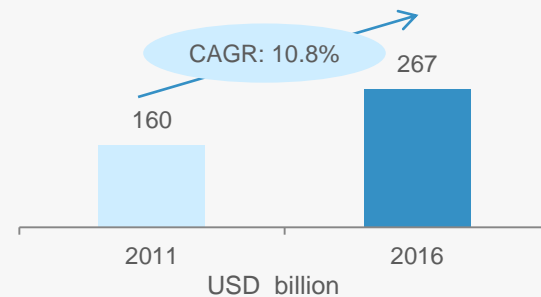
## EXECUTIVE SUMMARY ... (2/2)

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



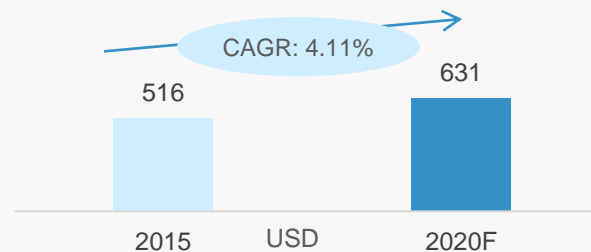
The modern retail market is expected to grow from USD60 billion to USD180 billion during 2015-2020F

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

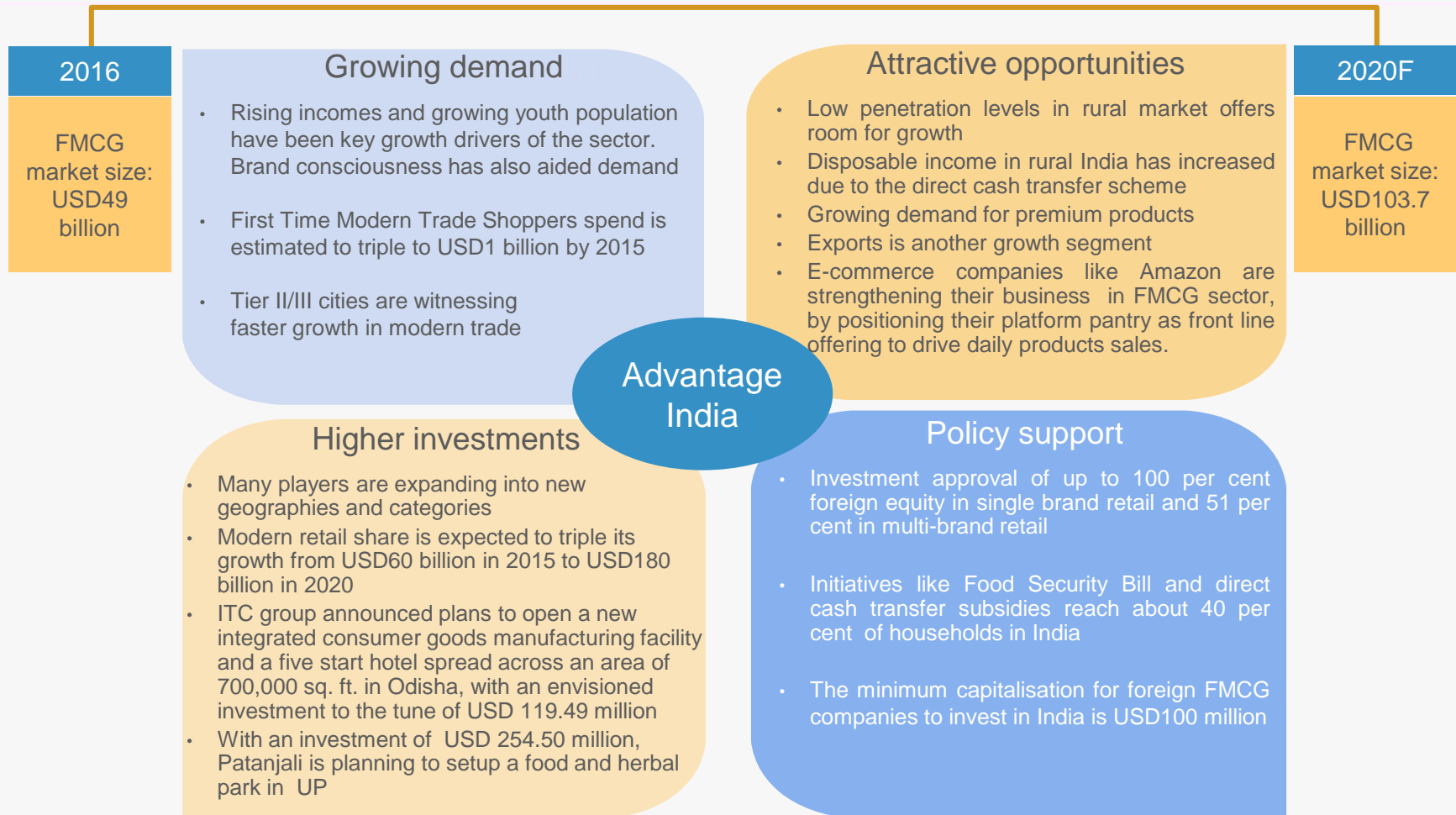
Notes: F-Forecast; E-Estimated



# FMCG



# ADVANTAGE INDIA

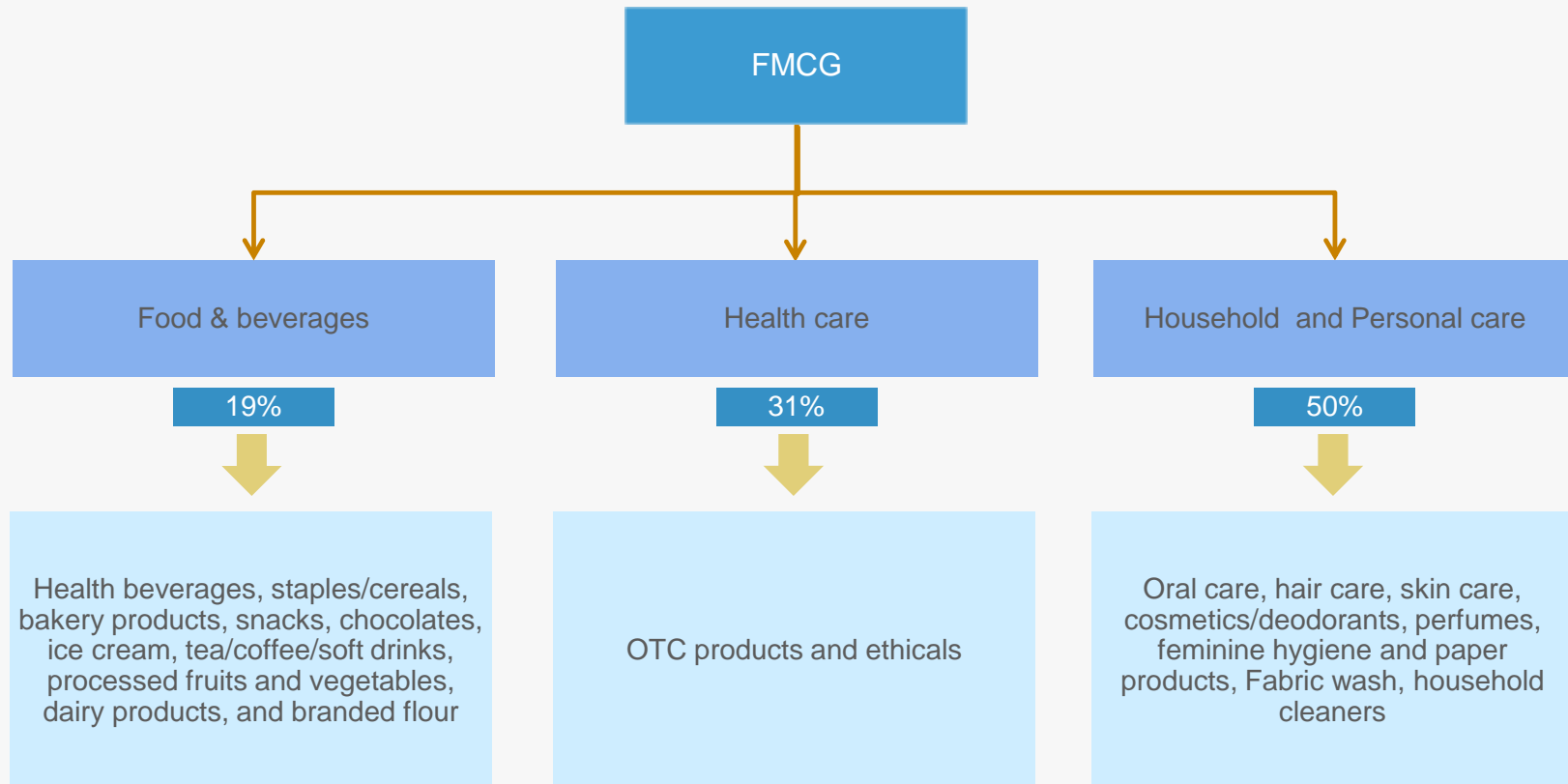


Source: Emami, E – Estimates, F - Forecast  
TechSci Research



## MARKET OVERVIEW AND TRENDS

## THE FMCG MARKET HAS THREE MAIN SEGMENTS

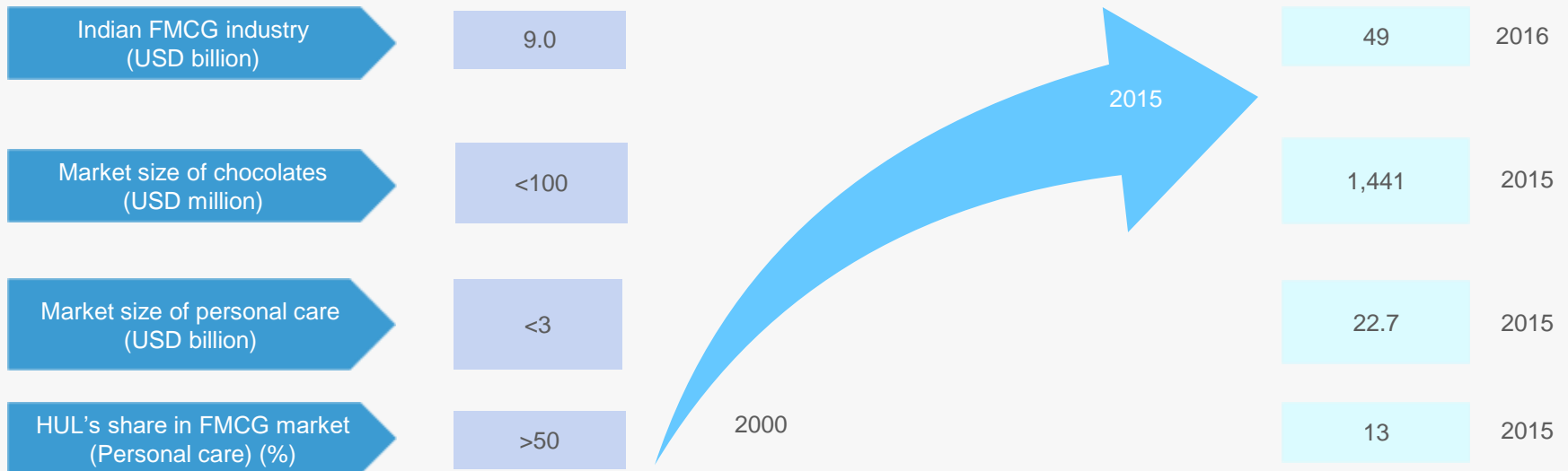


Source: Dabur, TechSci Research  
Notes: OTC is over the counter products; ethicals are a range of pharma products,  
Data as of March 2016



## 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. Hair care (23 per cent) and Food & Beverages (19 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, which is likely to boost revenues of FMCG companies
- \* People are gracefully embracing Ayurveda products, which has resulted in growth of FMCG major, Patanjali Ayurveda, with a m-cap of USD 14.94 billion. The company aims to expand globally in the next 5 to 10 years.

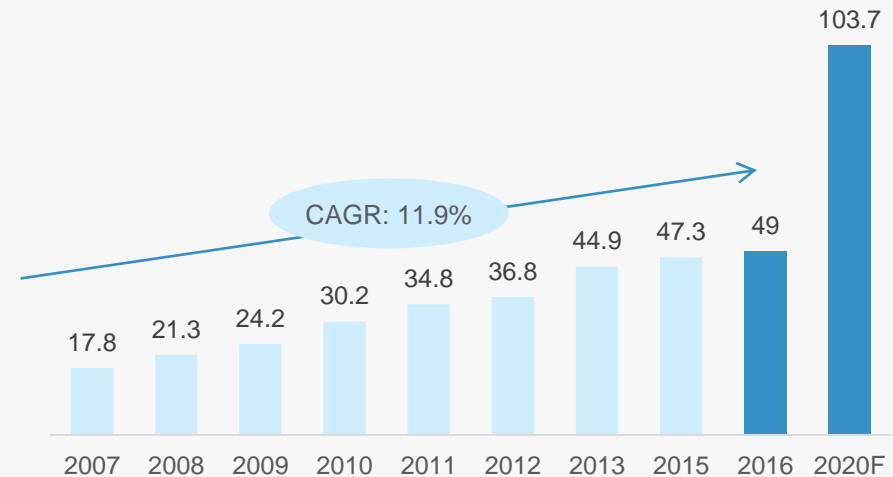


Source: Dabur Annual Report, Economic Times, Emami Annual Report, Mckinsey Global Institute, CII, TechSci Research

## 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% in revenues
- \* In 2016, revenues for FMCG sector is expected to reach USD49 billion
- \* During 2015-16, seven leading FMCG companies in the country have fared better than their multinational peers, in terms of revenue growth. The combined revenue of seven leading Indian FMCG companies during 2015-16 stood at USD 11,066.46 million
- \* In the long run, with the system becoming more transparent & easily compliable, demonetisation is expected to benefit organised players in the FMCG industry.

Trends in FMCG revenues over the years  
(USD billion)

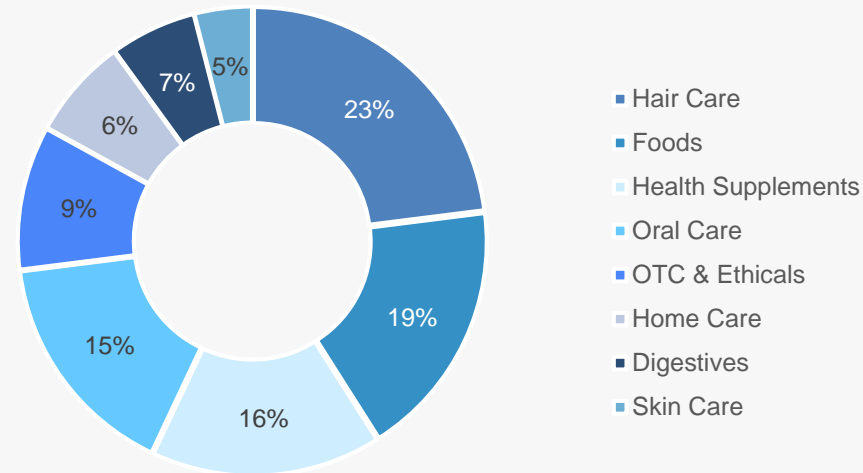


Source: Booz & Company, Dabur, AC Nielsen, TechSci Research,  
Note: F - Forecast

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

- \* Hair Care is the leading segment, accounting for 23 per cent of the overall market in terms of revenue
- \* Food Products is the 2nd leading segment of the sector accounting for 19 per cent followed by health supplements & oral care which has a market share of 16 per cent & 15 per cent, respectively

Market break-up by revenue (FY16)

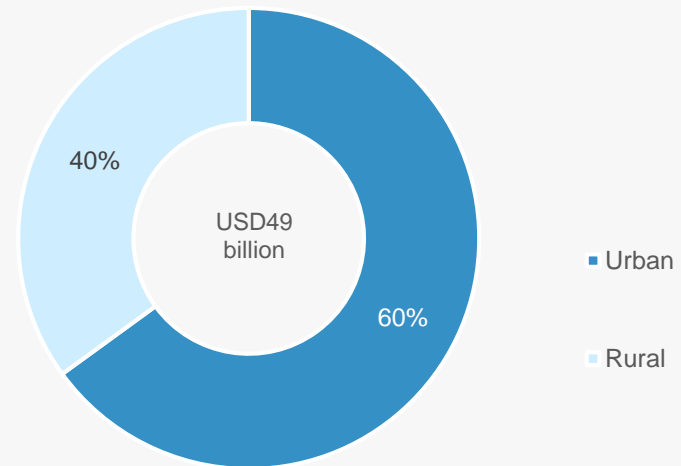


Source: Dabur, TechSci Research

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

- \* Accounting for a revenue share of around 60 per cent, urban segment is the largest contributor to the overall revenue generated by the FMCG sector in India & recorded a market size of around USD29.4 billion in 2016
- \* Semi-urban and rural segments are growing at a rapid pace; & accounted for a revenue share of 40 per cent in the overall revenues recorded by FMCG sector in India
- \* 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 (2016)



Source: Emami, TechSci Research



## RISING INCOME AND INCIDENCE OF CHRONIC LIFESTYLE DISEASES

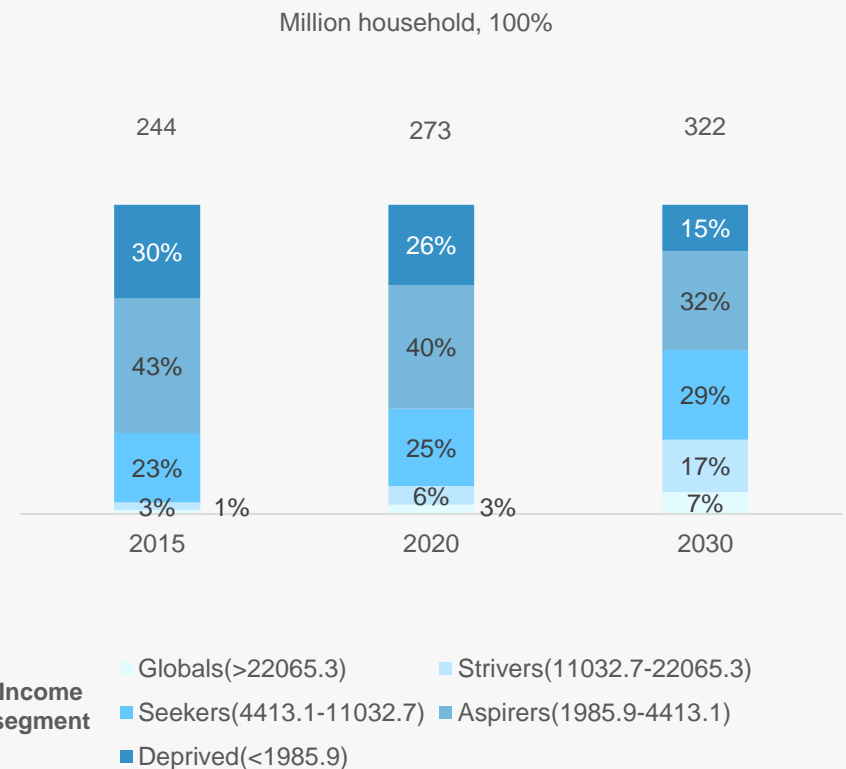
### Rising income; growing middle class

- The number of middle class households (earning between USD4,413.1 and USD22,065.3 per annum) is estimated to increase more than fourfold to 148 million by 2030 from 32 million in 2010
- India has 23.6 million adults, who have been qualified as belonging to 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
- The growing GNI per capita, PPP of USD6,746 in FY16 led to improved lifestyle due to increased purchasing power of customers for healthcare products

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

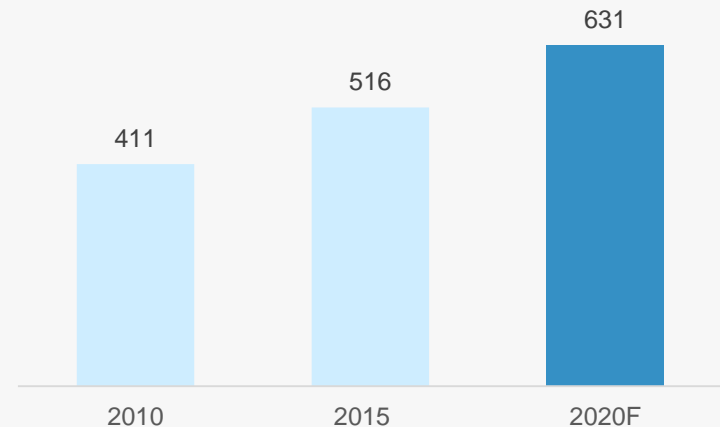


Source: Fortis Healthcare Limited, McKinsey Quarterly, NCAER, TechSci Research

## 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
- \* The Central Government announced its plans to spend USD9.16 billion for creating more jobs opportunities in the rural sector, which will in turn propel demand for FMCG products.

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

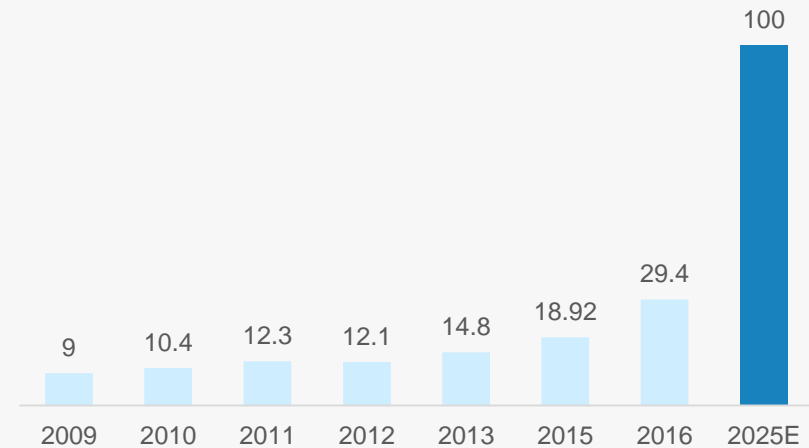


Source: Mckinsey Global Institute: The Bird of gold AC Nielsen, TechSci Research  
Note: F – Forecast

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

- \* The Fast Moving Consumer Goods (FMCG) sector in rural and semi-urban India is estimated to cross 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 40 per cent of the overall FMCG market in India, in revenue terms
- \* 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 per cent of their revenues from rural areas

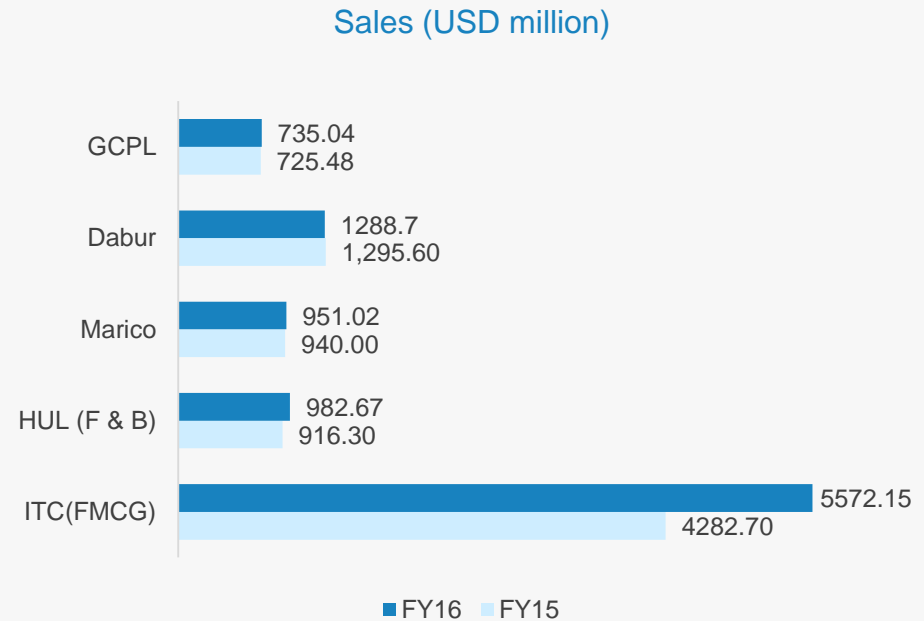
Rural FMCG market (USD billion)



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

## 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 8 quarters displays that the industry has grown at an average 16-21 per cent in the past 2 years
- \* ITC (FMCG) has generated highest revenue till FY16
- \* During 2015-16, 7 leading FMCG companies in the country have fared better than their multinational peers, in terms of revenue growth. The combined revenue of 7 leading Indian FMCG companies during 2015-16 stood at USD11,066.46 million
- \* In December 2016, Godrej Consumer Products Ltd (GCPL) acquired remaining 49 per cent in Kenyan Co Charm Industries
- \* Reckitt Benckiser, posted 14 per cent growth in sales in FY16, on the back of a forced distribution push in rural market, in support from the Swachh Bharat Campaign
- \* Biscuits and confectionery maker - Parle Products, is aiming to increase its market share in the premium biscuits category from 15 per cent in 2016—17 to around 20 per cent by 2017-18.



Source: Company Websites



## MARKET SHARE OF COMPANIES IN A FEW FMCG CATEGORIES

	Market leader	Other Leading Players	
Hair oil	 30% <sup>(1)</sup>	 19% <sup>(1)</sup>	
Shampoo	 47%	 27%	
Oral care	 54.9% <sup>(1)</sup>	 30%	 14% <sup>(1)</sup>
Skin care	 54%	 12%	 3%
Fruit juice	 60% <sup>(1)</sup>	 30%	

Source: Industry estimates  
(<sup>1</sup>) : 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..

### 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.
- To get more value for dairy products and to improve margins, dairy firms are looking at selling protein supplements added milk.

### 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

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

### Expanding horizons

- A number of companies are exploring the business potential of overseas markets & several regional markets. In 2016, Acrysil acquired the additional 13 per cent equity in UK-based "Homestyle Products Ltd.

### Backward integration

- Backward integration is becoming the preferred strategy for increasing profit margins, securing capacity & 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 3rd 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 (HP), Mangaliya (MP), Kota (Rajasthan) & 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 & cosmetics; 4 soap cases are offered at the price of 3, selling the range of deodorants for men & 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. 1 in 3 FMCG shoppers goes online 1st & then to the stores
- Almost half of the automobile consumers follow Research Online Purchase Offline (ROPO) method

### Production innovation

- Indian consumers have become choosy & 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 & Calcium Sandoz Women & Horlicks for older women, Junior Horlicks

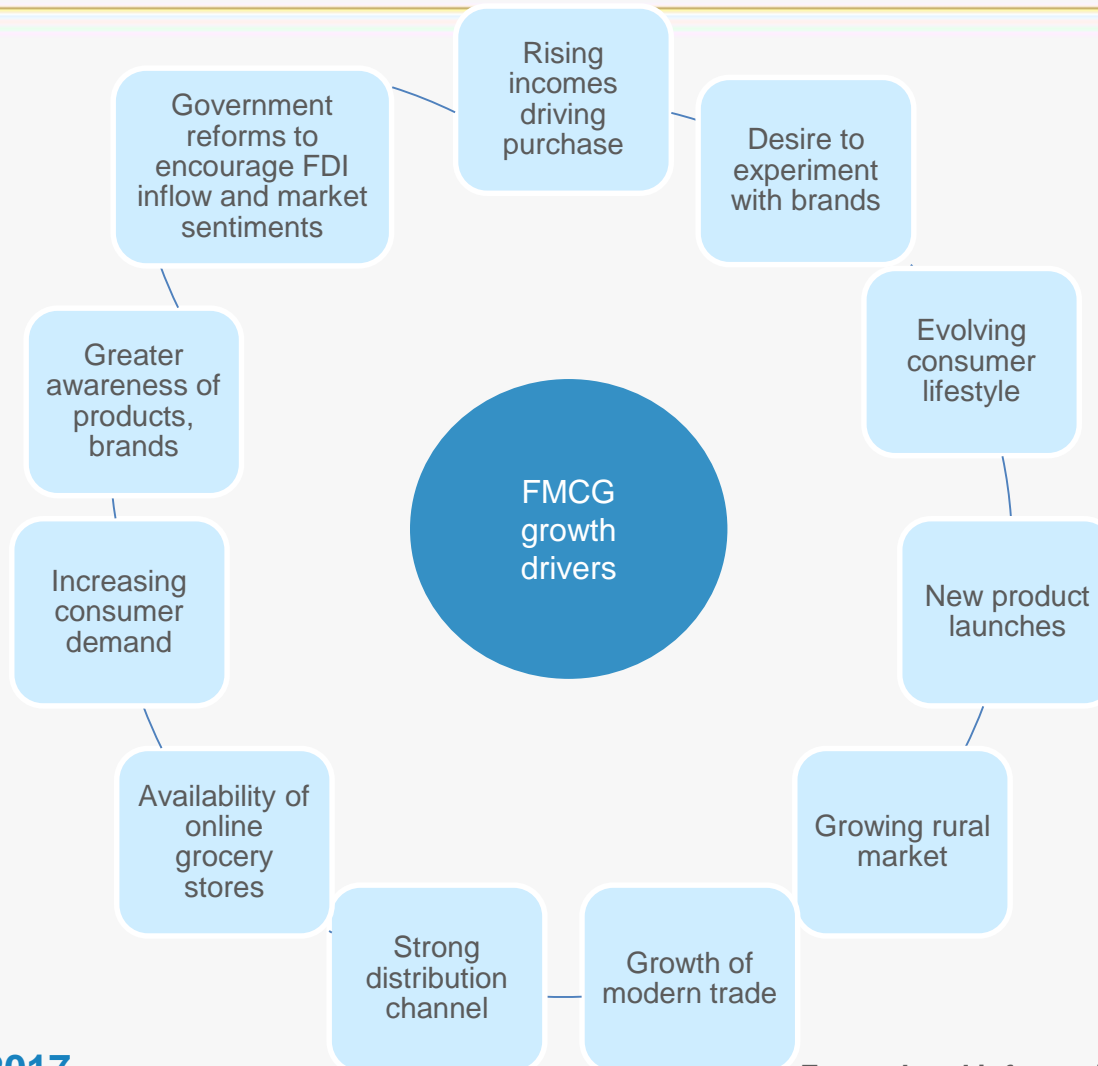
Source: AC Nielsen, TechSci Research





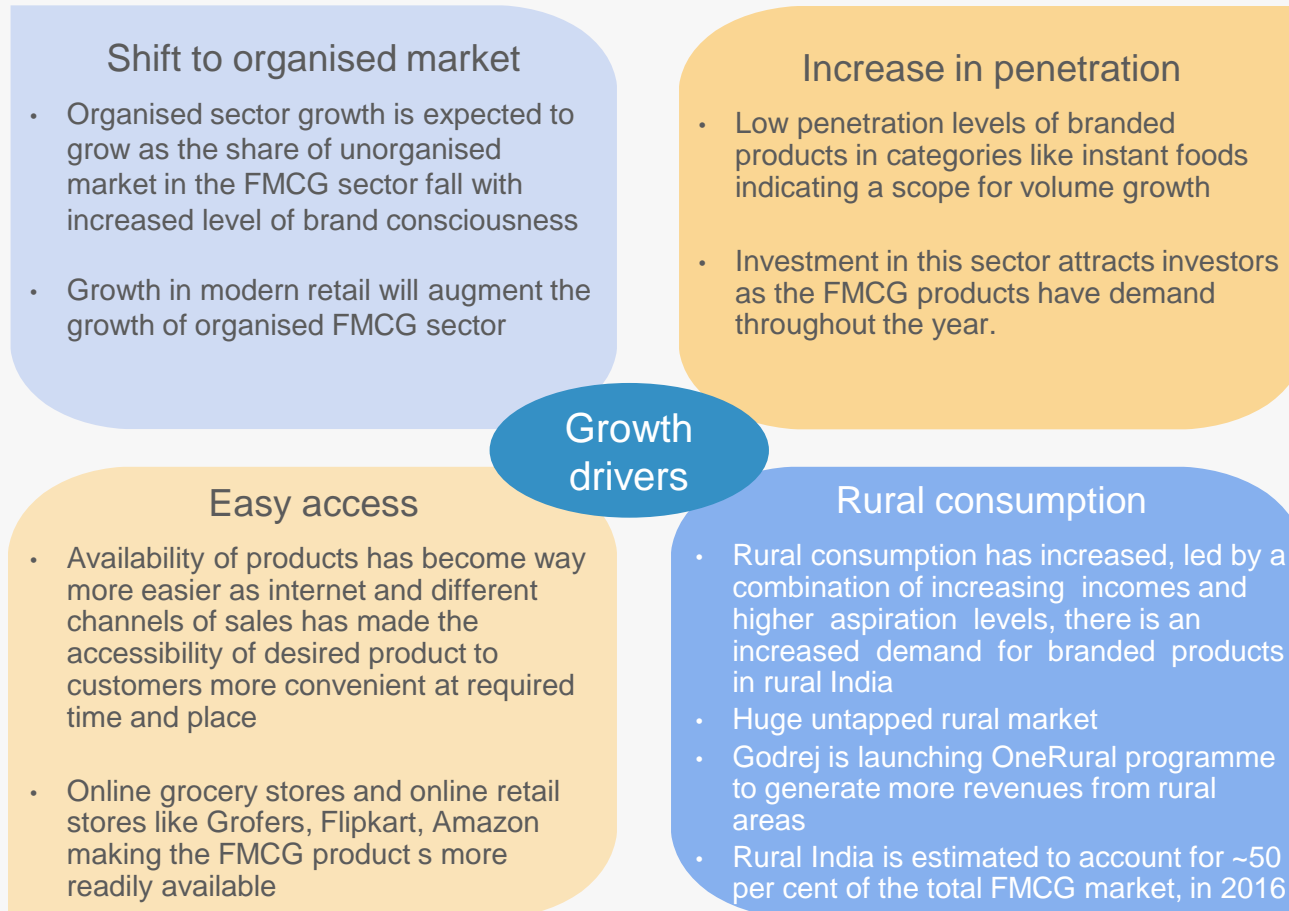
## GROWTH DRIVERS

## 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)



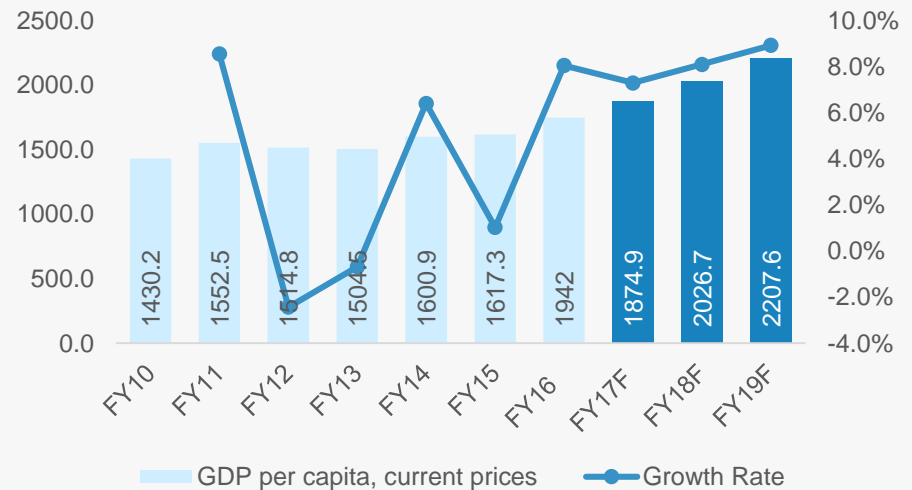
Source: Dabur



## HIGHER INCOMES AID GROWTH IN URBAN AND RURAL MARKETS

- \* Incomes have risen at a brisk pace in India & will continue rising given the country's strong economic growth prospects. According to IMF, nominal per capita income is estimated to grow at a CAGR of 4.94 per cent during 2010-19F
- \* 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 & GDP are expected to surge
- \* Per capita income in India is expected to grow at a CAGR of 8.09 per cent during 2015-19F

India's nominal per capita income (USD)

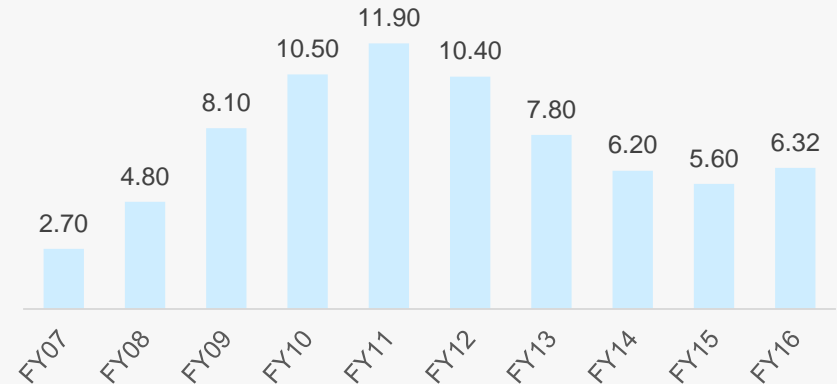


Source: IMF, World Bank, TechSci Research  
Notes: F - Forecast, E - Estimated, CAGR - Compound Annual Growth Rate

## 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 FY07-16, allocation of funds to NREGA increased at a CAGR of 9.91 per cent, with the total funds released by the government for NREGA reaching to USD6.32 billion by FY16
- \* 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
- \* Under the upcoming Budget Scheme 2017-18, the government is likely to retain its focus on rural economy by continuing the pro-poor and pro-farmer schemes

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

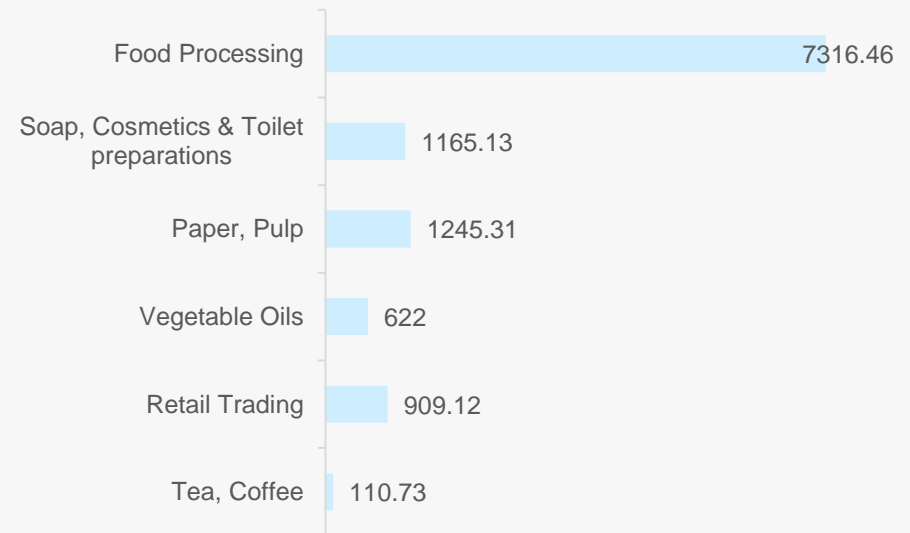


Source: NREGA, TechSci Research  
Notes: MSP is Minimum Support Price, NREGA is National Rural Employment Guarantee Act

## 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 witnessed healthy FDI inflows of USD11368.75 million, during April 2000 to September 2016.
- \* Within FMCG, food processing was the largest recipient; its share was 64.36 per cent

Cumulative FDI inflows – From April 2000 to September 2016 (USD million)



Source: DIPP, TechSci Research

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

- \* To provide a level-playing field to stakeholders, the government is planning to synchronize policies of retail, FMCG and e-commerce within a single policy framework

### Goods and Service Tax (GST)

- Proposed date of implementation of GST - April 1, 2017.
- 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
- Major consumer product manufacturing companies like PepsiCo, Dabur, Hindustan Unilever etc. are aligning their supply chains, IT infrastructure and warehousing systems ahead of unified goods and services tax (GST) regime, so as to facilitate seamless interstate movement of goods.

### 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 per cent
- Excise duty on various tobacco products other than beedi would be increased, resulting in retail price of tobacco products going up by 10-15 per cent

### 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 & hydrogenated animal fats and oils as well as items reserved for exclusive manufacture in the small-scale sector

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

### 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

### 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

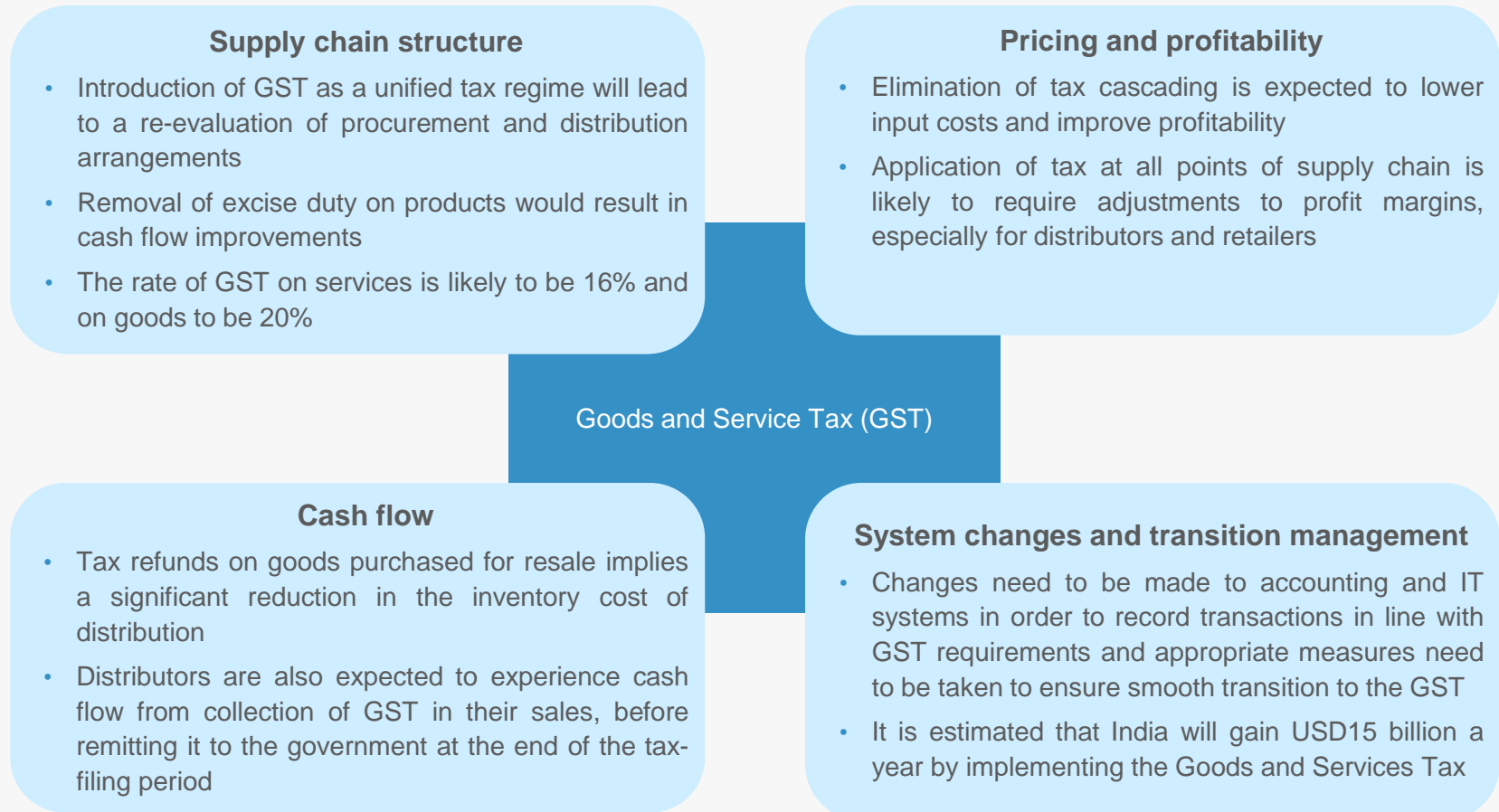
- FMCG companies, which are top advertisers on television (above 50 per cent share), are likely to face the twin risks of reduced inventory to advertise, which could be cut by 25–30 per cent, and increased prices as broadcasters hike prices

### 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/Acquisition
Godrej Consumer Products Ltd (GCPL)	Kenyan Co Charm Industries	Acquisition
Zhongshan Ma Er Daily Products Ltd	Wipro Consumer Care	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



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

Target name (segment)	Acquirer name (segment)	Merger/ 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% shares from Gemini Distillery Private Ltd (Beverages)	Bacardi Martini BV, Netherlands (Beverages)	Acquisition
Varun Beverages	Pearl Drinking - Bottling business	Acquisition
Frika Hair (Pty) Ltd, Africa	Godrej Consumer Products Ltd (Home and personal care)	Acquisition

\* As of November 2016, Future Consumer Ltd. entered in an equal joint venture with UK's largest wholesaler, Booker Group, to develop the company's cash-and-carry business in India. Future Consumer is investing USD 7.47 million in the company.

Source: Bloomberg, TechSci Research



# OPPORTUNITIES

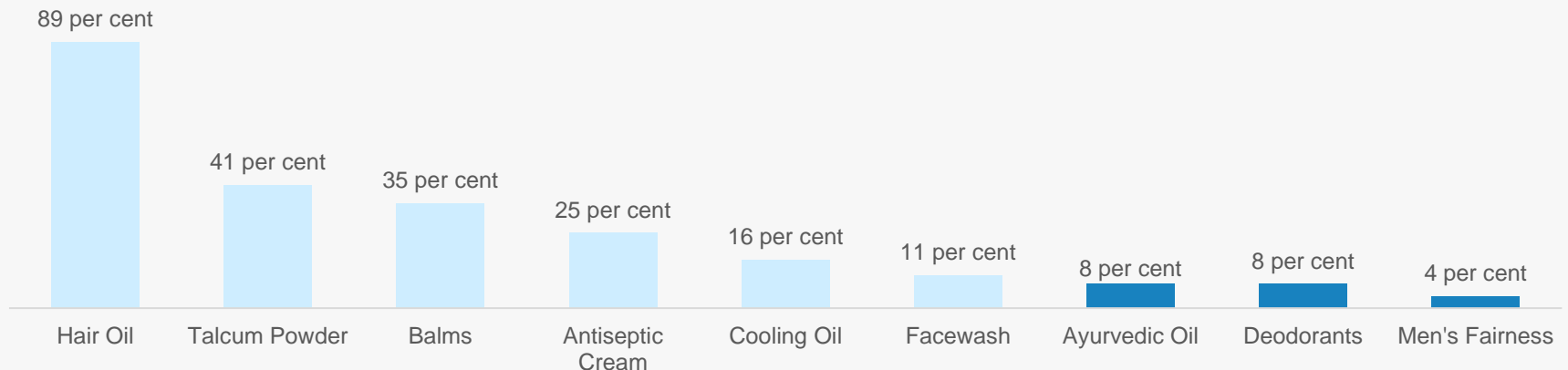
## GROWTH OPPORTUNITIES IN THE INDIAN FMCG INDUSTRY

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 like internet &amp; 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, flavored yoghurt &amp; 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>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 talcum powder is high in the country, however, some major products including ayurvedic oil, deodorants and men's fairness creams recorded penetration of just 8 per cent, 8 per cent 4 per cent, in FY16, respectively

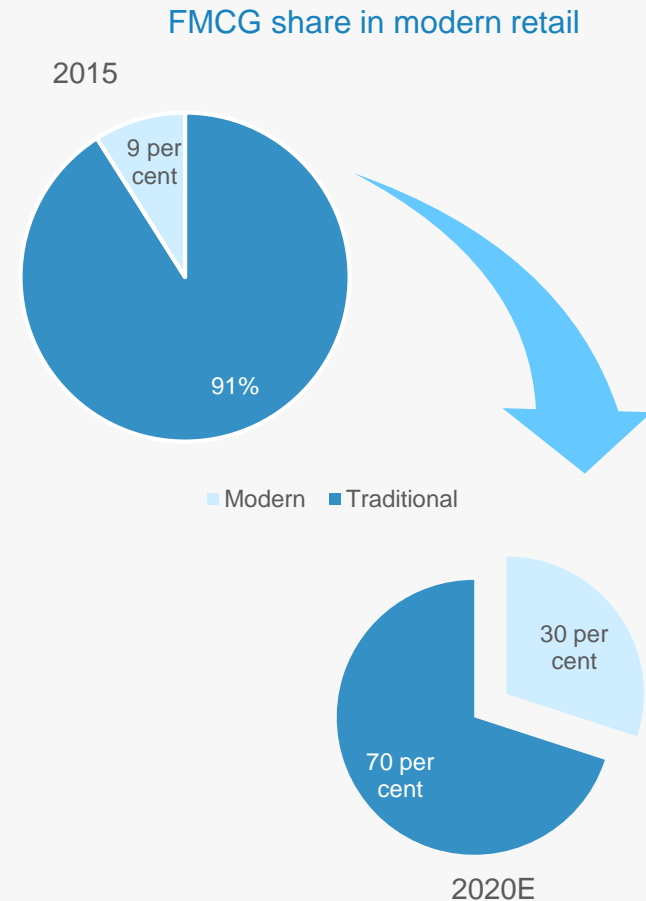
Category penetration in India (FY16)



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 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



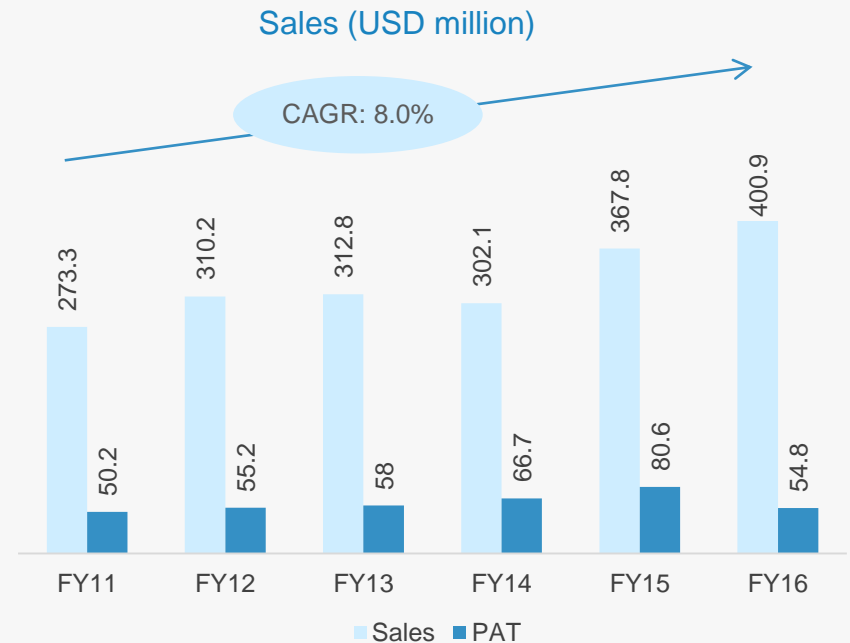


## SUCCESS STORIES

## 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 FY11-16, net sales of FMCG products in India grew at CAGR of 8.0 per cent with the value market reaching to USD400.9 million in FY16 & the profit after tax estimated at USD54.8 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 & product launches. These initiatives are expected to increase revenue contribution to 8 per cent from 6 per cent by FY16
- Emami plans to make investments in start-ups. The company has created a new division to evaluate & fund such initiatives



Source: Company reports, Economic Times, TechSci Research

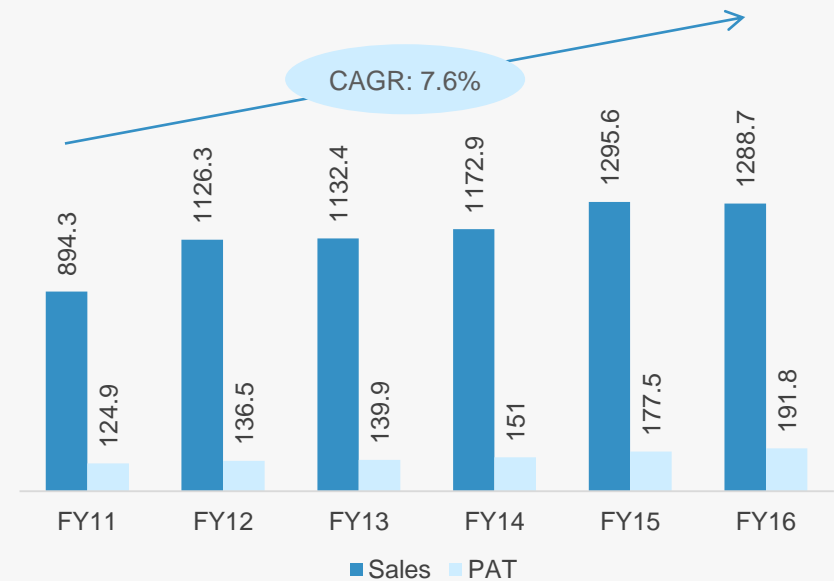


## DABUR – RIDING ON STRONG BRAND EQUITY IN INDIA

### 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%
- In 2016, Dabur registered sales of FMCG products worth USD1,288.7 million growing at a CAGR of 7.6% over FY11-16
- The company plans to acquire the personal care, hair care and creams businesses of CTL group based in South Africa, at an estimated cost of USD 1.5 million
- In January 2017, NewU, a beauty retail venture of Dabur, announced plans of bringing Sri Lankan beauty products brand - Spice Island, to India to strengthen their portfolio

Sales (USD million)



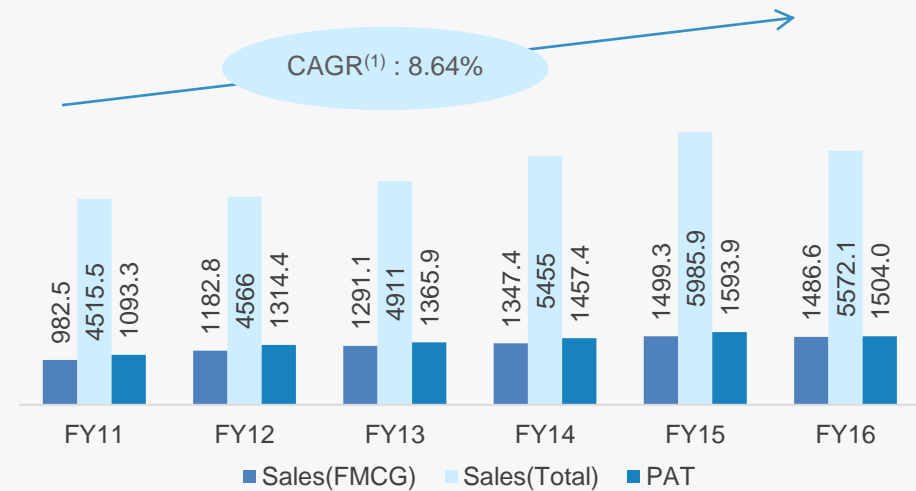
Source: Dabur Annual Report 2015-16, TechSci Research

## 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 & 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 & Agri-Exports
- The company is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Personal Care & Stationery
- Its Agri-Business is one of India's largest exporters of agricultural products
- ITC's total sales increased at a CAGR of 4.29 per cent between FY11 & FY16 to reach net sales of USD5,572.1 million

Sales (USD million)



Source: Company reports, TechSci Research  
Notes: <sup>(1)</sup> - 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](mailto:ida@nde.vsnl.net.in)

Website: [www.indairyasso.org](http://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](mailto:aibma@rediffmail.com); [mallika@phdcci.in](mailto:mallika@phdcci.in)

Website: [www.aibma.com](http://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](http://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](mailto:fbmi@rediffmail.com); [mallika@phdcci.in](mailto:mallika@phdcci.in)

Website: [www.biscuitfederation.com](http://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](mailto: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	65.46
2016-2017E	66.95

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	64.15
2016 (Expected)	67.22

Source: Reserve bank of India,  
Average for the year

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