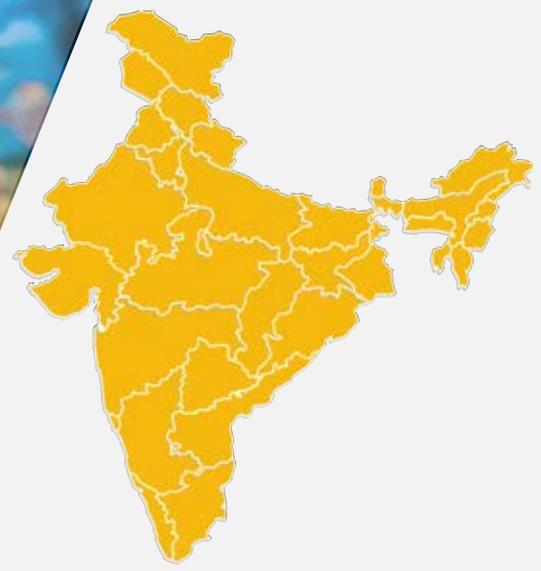




FAST MOVING CONSUMER GOODS (FMCG)

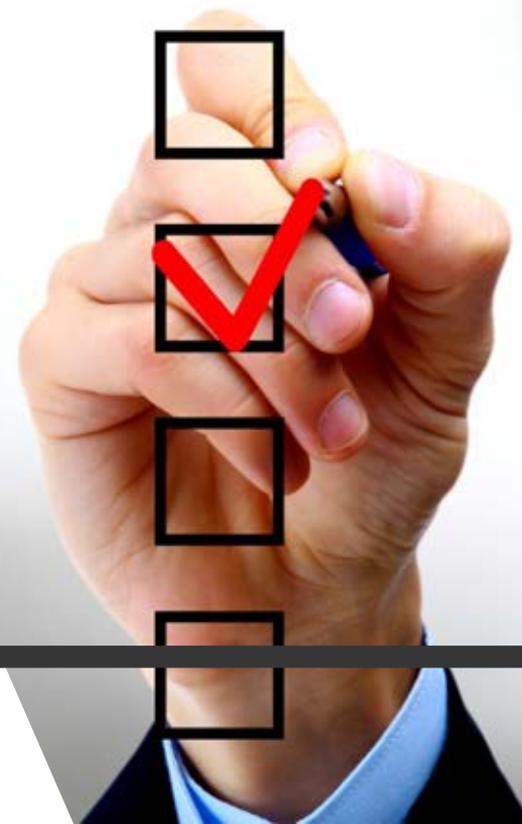


For updated information, please visit www.ibef.org

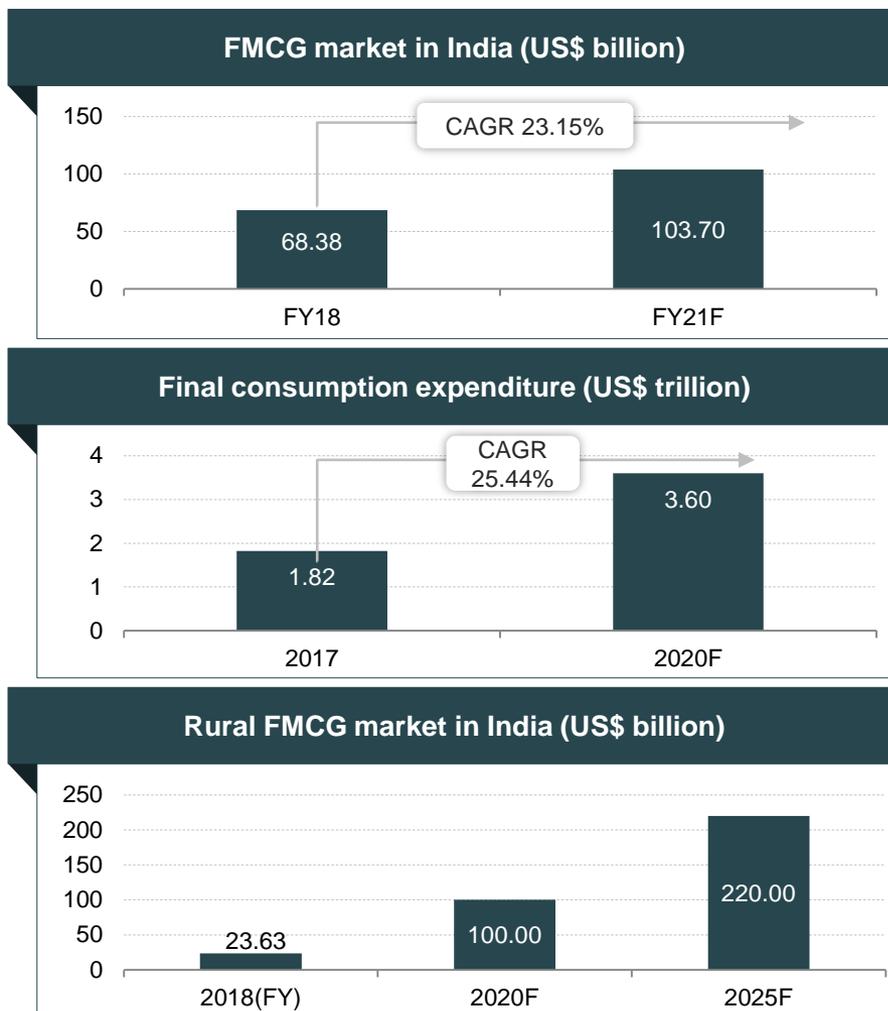
November 2020

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- Favourable demographics and rise in income level will boost the FMCG market.
- The FMCG market in India is expected to grow at a CAGR of 23.15% to reach US\$ 103.70 billion by FY21 from US\$ 68.38 billion in FY18.
- FMCG sector is the fourth largest sector in the Indian economy.
- FMCG sector is expected to grow at 5-6% in 2020.
- Final consumption expenditure is set to increase at a CAGR of 25.44% during 2017-2021. It is expected to reach nearly US\$ 3.60 trillion by 2020 from US\$ 1.82 trillion in 2017.
- Rise in rural consumption will drive the FMCG market. It contributes around 36% to the overall FMCG spending.
- The rural FMCG market in India is expected to grow to US\$ 220.00 billion by 2025 from US\$ 23.63 billion in FY18.



Notes: F- Forecast

Source: World Bank, Emami Reports, Dabur Reports, AC Nielsen, CRISIL, Nielsen Report, 2018

ADVANTAGE INDIA



Growing Demand

- Rising income and growing youth population have been key growth drivers of the sector. Brand consciousness has also aided demand.
- India's contribution to global consumption is expected to more than double to 5.8% by 2020.
- Rural India is witnessing increased demand for quality goods and services driven by upgraded distribution channels of FMCG companies.

Attractive Opportunities

- Low penetration levels in rural market offers room for growth.
- Dabur stepping-up product launches to sell only on E-commerce platforms.
- Disposable income in rural India has increased because of the direct cash transfer scheme.
- Exports is another growing segment.
- E-commerce segment is forecast to contribute 11% to the overall FMCG sales by 2030.

Higher investments

- RP-Sanjiv Goenka Group to invest capital fund of US\$ 14.74 million in FMCG startups.
- Supa Star Foods Pvt Ltd, a packaged food and beverage maker, has received its second investment from Roots Ventures, which will help the company grow its distribution network and add more products.

Policy Support

- Investment approval of up to 100% foreign equity in single brand retail and 51 % in multi-brand retail.
- Initiatives like Food Security Bill and direct cash transfer subsidies reach about 40% of households in India.
- The minimum capitalisation for foreign FMCG companies to invest in India is US\$ 100 million.

ADVANTAGE INDIA

Source: Emami, BCG and CII report, Nielsen

MARKET OVERVIEW



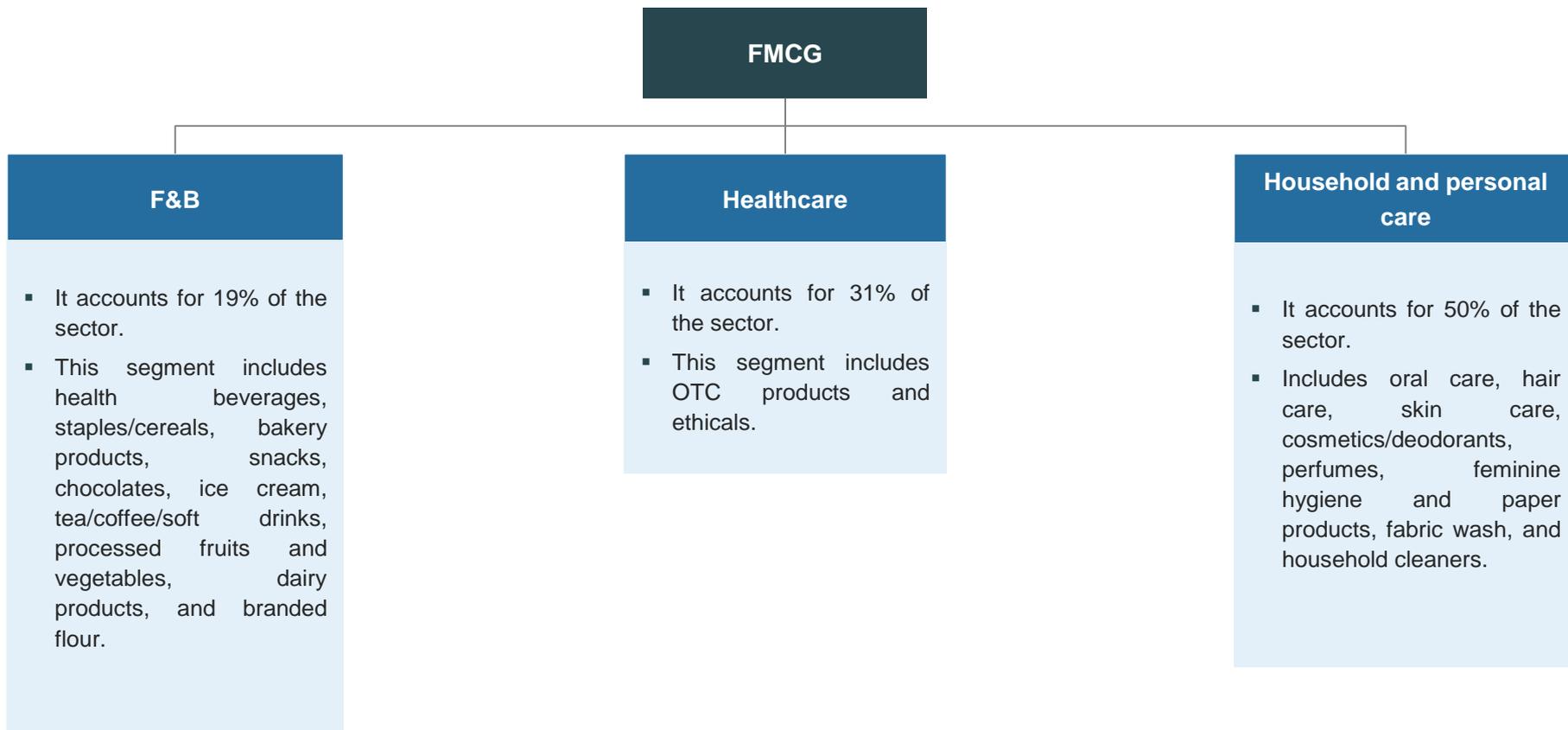
EVOLUTION OF FMCG IN INDIA

- FMCG is the fourth largest sector in the Indian economy.
- India's household and personal care is the leading segment, accounting for 50% of the overall market. Healthcare (31 %) and food and beverages (F&B) (19%) comes next in terms of market share.
- Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector.
- The number of online users in India is likely to cross 850 million by 2025.
- FMCG industry is expected to grow 5-6 % in 2020.
- Retail market in India is estimated to reach US\$ 1.1 trillion by 2020, with modern trade expected to grow at 20-25% per annum, which is likely to boost revenues of FMCG companies.
- People are gracefully embracing Ayurveda products, which has resulted in Patanjali being ranked as the most trusted FMCG brand in India.

Current	Forecast
<ul style="list-style-type: none"> ▪ FMCG market reached US\$ 52.75 billion in FY18. 	<ul style="list-style-type: none"> ▪ FMCG market is expected reach US\$ 103.70 billion by the end of 2020.
<ul style="list-style-type: none"> ▪ The rural FMCG market reached US\$ 23.63 billion in FY18. 	<ul style="list-style-type: none"> ▪ The rural FMCG market is expected to grow to US\$ 220 billion by 2025.
<ul style="list-style-type: none"> ▪ FMCG sales at India's organised retail stores rose 22 % y-o-y in 2018. 	<ul style="list-style-type: none"> ▪ The online FMCG market is forecast to reach US\$ 45 billion by the end of 2020.

Source: Dabur Annual Report, Economic Times, Emami Annual Report, McKinsey Global Institute, CII, Boston Consulting Group Report, TRA's Brand Trust Report 2018

THREE MAIN SEGMENTS OF FMCG



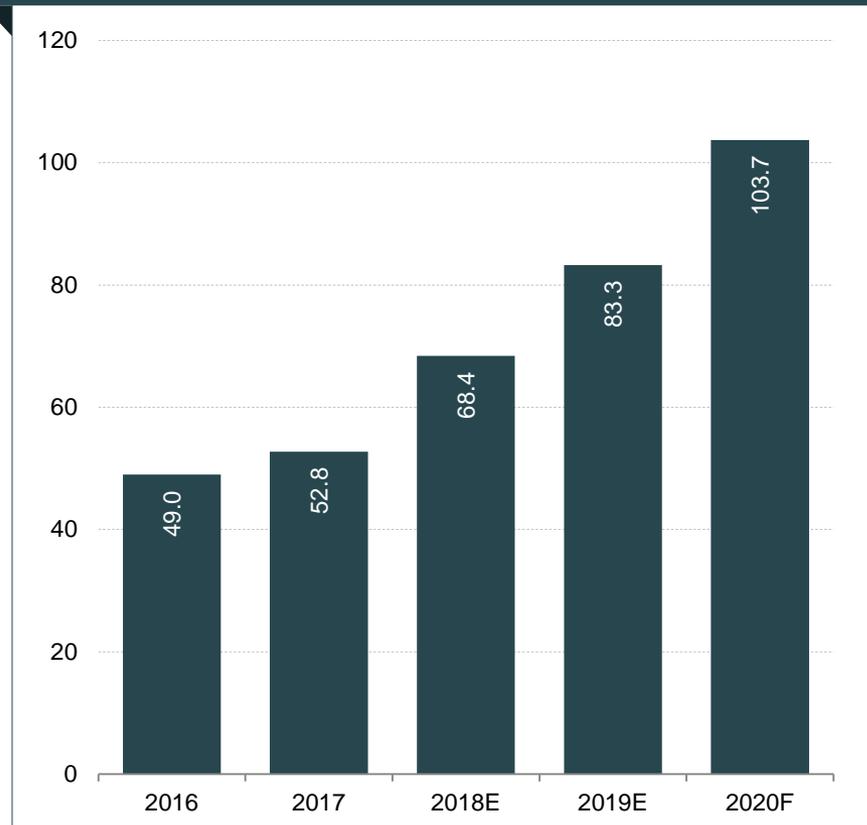
Note: OTC is over the counter products; ethicals are a range of pharma products, Share % as of FY18

Source: Economic Times

STRONG GROWTH IN INDIAN FMCG SECTOR

- Revenue of FMCG sector reached Rs. 3.4 lakh crore (US\$ 52.8 billion) in FY17 and are estimated to reach US\$ 103.7 billion in 2020F.
- The Union Budget 2019-20 initiatives to increase consumer spending among middle class is expected to boost consumer confidence and improve demand generation for branded consumer products.
- FMCG sector will gain support for growth from Inland Waterways Authority of India (IWAI) multi-modal transportation project of freight village at Varanasi, which will bring together retailers, warehouse operators and logistics service providers, and investment worth Rs. 1.7 billion (US\$ 25.35 million).
- Nielsen India estimates the FMCG industry to grow at 5-6% in 2020 as against 13.8% in 2018.

Trends in FMCG revenues over the years (US\$ billion)



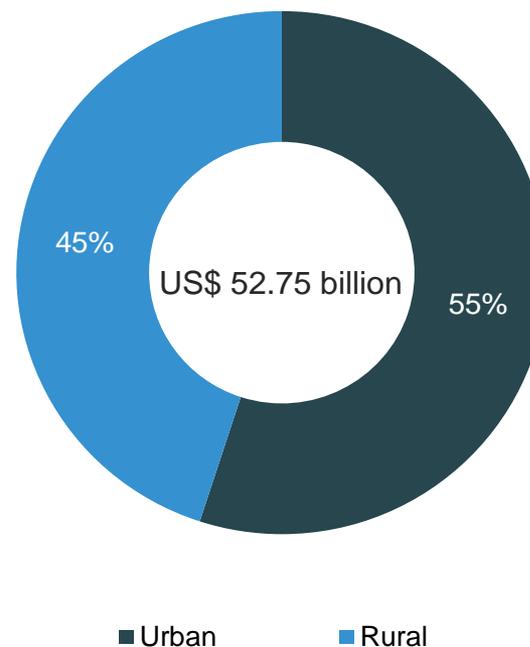
*Note: E-Estimate, F - Forecast, * - FY18*

Source: Dabur, AC Nielsen, Euromonitor International, ICICI securities, Nielsen India

URBAN MARKET ACCOUNTS FOR MAJOR CHUNK OF REVENUES

- Accounting for a revenue share of around 55%, urban segment is the largest contributor to the overall revenue generated by the FMCG sector in India.
- Rural segment is growing at a rapid pace and accounted for a revenue share of 45% in the overall revenues recorded by FMCG sector in India. FMCG products account for 50% of total rural spending.
- In the last few years, the FMCG market has grown at a faster pace in rural India compared to urban India.
- Demand for quality goods and services is on an upward trajectory in rural areas on the back of improved distribution channels of manufacturing and FMCG companies.
- FMCG urban segment witnessed growth rate of 8%, whereas, rural segment grew at 5% in quarter ended September 2019.

Urban - Rural industry Breakup in FY19

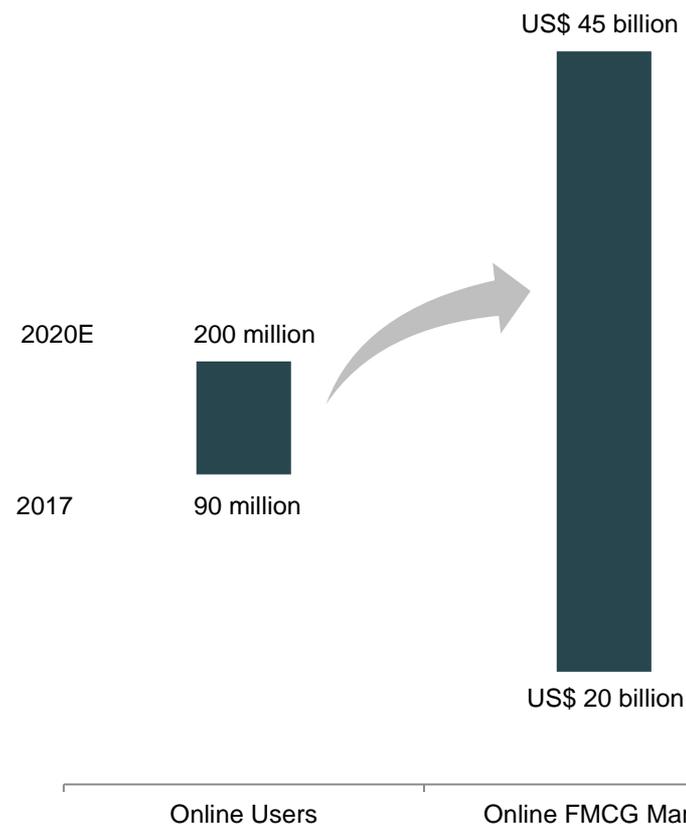


Source: BCG, KPMG- indiaretailing.com, Deloitte Report, Winning in India's Retail Sector, CRISIL, State Bank of India, CRISIL report

INCREASING ONLINE USERS BOOST ONLINE FMCG SALES

- India's increasing internet penetration and rising digital maturity along with developing infrastructure has helped boost online transactions.
- The online FMCG market is forecast to reach US\$ 45 billion in 2020 from US\$ 20 billion in 2017, backed by growth in online users from 90 million in 2017 to 200 million in 2020E.
- By 2020, about 40% of FMCG consumption is estimated to be digitally influenced.
- Around 72% Indian consumers are most likely to shop online locally for premium products.
- The Indian online grocery market is estimated to exceed sales of about Rs. 22,500 crore (US\$ 3.19 billion) in 2020, a significant jump of 76% over the previous year.

Growth in Online Users to drive Online FMCG Market



Note: E - Estimated

Source: Google and BCG report - September 2017 and February 2018

STRATEGIES ADOPTED



Promotions and 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; 4 soap cases are offered at the price of 3, selling the range of deodorants for men and women at a discounted price.
- Amazon India is planning to invest significantly over the coming months for expanding its grocery and food business, launching more products and categories and forming new partnerships with huge grocery and supermarket chains.

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 and then to the stores.
- About 43% of new car-buyers in cities select the model online and purchase it from dealer.

New product launches

- In November 2020, Parle Agro launched a revolutionary new addition to its fruit plus fizz portfolio 'B-Fizz'.
- In July 2020, Mother Dairy forayed into bread segment as part of its strategy to diversify business and announced its target to more than double its revenue to Rs. 25,000 crore (US\$ 3.55 billion) in the next five years.
- In June 2020, ITC launched Salvon Germ Protection wipes.
- In June 2020, Emami launched organic aloe vera gel under BoroPlus brand.
- In June 2020, Amul launched ginger and tulsi milk variants to boost immunity.

Expansion

- In May 2020, Tata Consumer Products Limited (TCPL) acquired PepsiCo's stake in NourishCo Beverages Limited.
- In March 2020, Hindustan Unilever Limited (HUL) signed an agreement with Glenmark Pharmaceuticals Ltd to acquire its intimate hygiene brand VWash.
- In July 2020, ITC Ltd completed the acquisition of spice-manufacturer Sunrise Foods Private Ltd at an upfront cash deal price of Rs. 2,150 crore (US\$ 305.01 million).

Source: AC Nielsen, News Article

Customisation

- Product Flanking: Introduction of different combinations of products at different prices, to cover as many market segments as possible.
- Emami has decided to rework on its overseas strategy by planning manufacturing and acquisitions in overseas markets. The company plans to re-work on its product portfolio by getting into new categories with higher buying preference and revamp its distribution networks.

Green initiatives to lower costs

- FMCG companies are looking to invest in energy efficient plants to benefit the society and lower costs in the long term.
- Procter & Gamble (P&G) India has set up a Rs. 200 crore (US\$ 28 million) environmental sustainability fund in the country to offer sustainable solutions, such as plastic-free packaging and environment-friendly logistics services, in partnership with Indian businesses.

Analytics

- HUL implemented a transformational programme called Connected 4 Growth (C4G) to help drive business growth by increased speed to market, faster decision making, localised and swifter innovation.
- Patanjali uses Oracle and SAP for Enterprise Resource Planning (ERP). It will further standardise the application on SAP. It plans to use machine learning for quality control and product enhancement and are also in talks with Net App for big data solution.

Product/ category expansion

- In November 2020, Hindustan Unilever (HUL) launched a new brand in the naturals segment—Nature Protect—that will include over half a dozen products in the hygiene segment, as part of its strategy to launch plant-based products in the backdrop of the COVID-19 outbreak.
- On August 07, 2020, Jubilant FoodWorks Ltd, which operates Domino's Pizza and Dunkin' Donuts outlets in India, announced its entry in the FMCG (fast-moving consumer goods) segment with a range of ready-to-cook sauces, gravies and pastes.
- In July 2020, Mother Dairy forayed into bread segment as part of its strategy to diversify business and announced its target to more than double its revenue to Rs. 25,000 crore (US\$ 3.55 million) in the next five years.

Source: News Articles

Investments

- On November 4, 2020, Amway India announced plans to invest Rs. 150 crore (US\$ 20.16 million) to improve manufacturing automation and home delivery and enhance its digital capabilities.
- In October 2020, the Government of Karnataka proposed to develop Hubballi-Dharwad as the FMCG cluster. The development has been proposed in three phases, with each phase comprising an investment of Rs. 2,500 crore (US\$ 341 million) from 50 FMCG companies (an average investment of US\$ 6.8 million each). According to Large and Medium Industries Minister of Karnataka Mr. Jagadish Shettar, the cluster is expected to generate annual turnover of over Rs. 25,000 crore (US\$ 3.4 billion).
- PepsiCo India announced to double its business from the snacks segments in October 2020. The company has increased investment in its new greenfield snacks plant in Uttar Pradesh from Rs. 500 crore (US\$ 68 million) to about Rs. 814 crore (US\$ 111 million)—generating 1,500 direct/indirect jobs and enabling a local sourcing ecosystem.
- In October 2020, Britannia has signed a Memorandum of Understanding (MoU) with the Tamil Nadu government, stating increase of investment in the state from Rs. 300 crore (US\$ 41 million) to Rs. 550 crore (US\$ 75 million) over a period of seven years.
- In October 2020, Nestle India announced plan to infuse Rs. 2,600 crore (US\$ 348.82 million) into its eight manufacturing plants for enhancing production capabilities over the next four years.
- In October 2020, Procter & Gamble (P&G) announced a Rs. 400 crore (US\$ 53.96 million) fund to build capacity for its existing and new suppliers in India.

Only Online Sales Launch

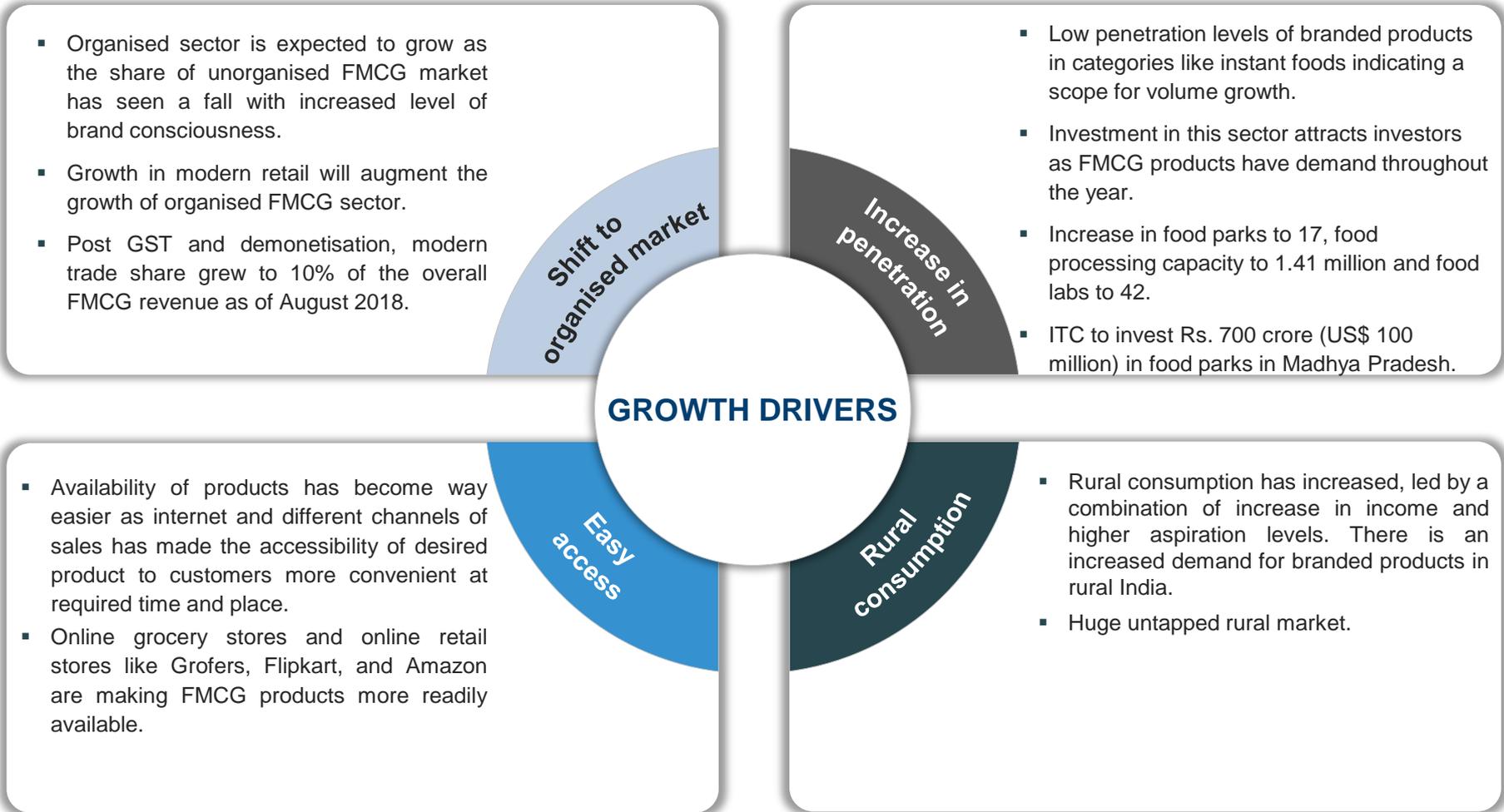
- FMCG companies are launching products online before making them available in traditional retail stores with e-commerce sales recording 56% growth in the first quarter of 2020 and 38% increase in June 2020.
- For instance, on August 07, 2020, Dabur launched an entire range of ayurvedic baby care range only on the e-commerce platform.

Source: News Articles

GROWTH DRIVERS



GROWTH DRIVERS FOR INDIA'S FMCG SECTOR

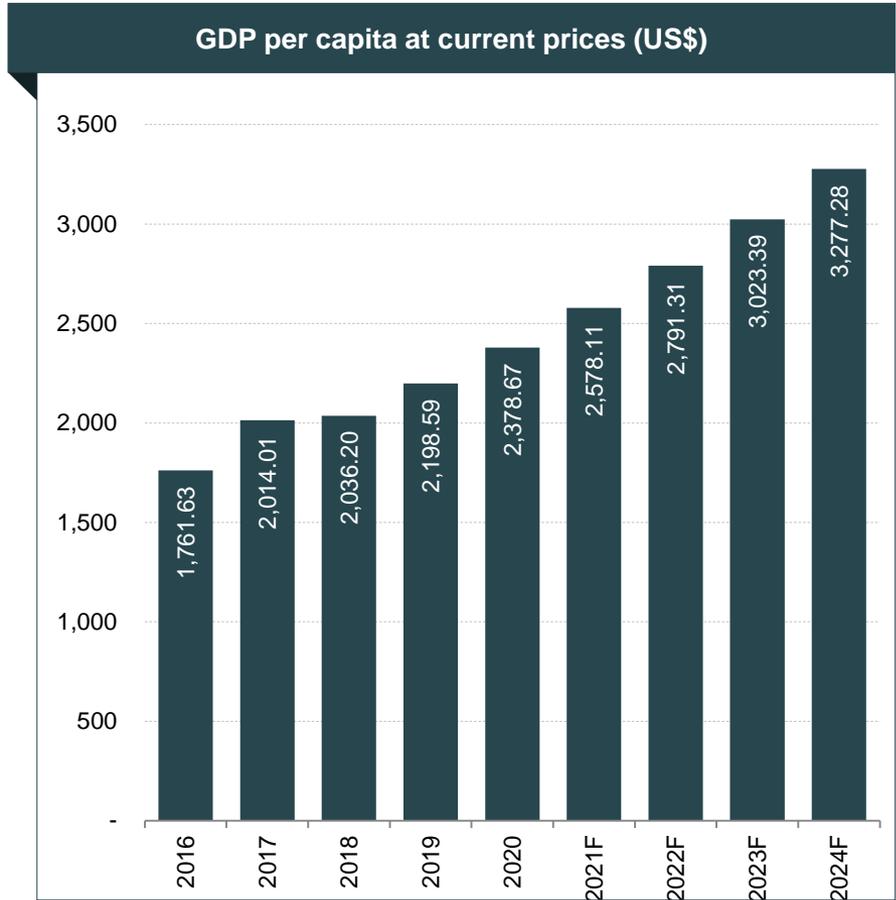


Note: GST: Goods and Services Tax

Source: Dabur, Nielsen

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.
- India's GDP per capita at current prices is expected to increase from US\$ 1,761.63 in 2016 to US\$ 3,277.28 in 2024.
- 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.



Note: F- Forecasted

Source: IMF World Economic Outlook Database April 2019

Union Budget 2019-20

- The Government of India provided a full tax rebate on income up to Rs. 5 lakh (US\$ 6,930) to boost disposable income in the hands of common people.

Goods and Service Tax (GST)

- GST lies between 0-18% on services and 0-28% on goods.
- Major consumer product manufacturing companies like PepsiCo, Dabur, and HUL are aligning their supply chain, IT infrastructure and warehousing systems ahead of unified GST regime to facilitate seamless interstate movement of goods.
- Prices of commodities in the FMCG sector, like soaps, shampoo, detergents, biscuits, savory snacks etc. decreased after the implementation of GST, leading to a 3-8% decrease in prices of goods at modern retail stores. GST is expected to transform logistics in the FMCG sector into a modern and efficient model as all major corporations are remodeling their operations into larger logistics and warehousing.
- Warehousing cost for FMCG companies is estimated to fall by 25-30% backed by the implementation of the GST. The number of warehouses will decrease from 45-50 to 25-30 and the size of warehouses will become larger.
- Goods and Services Tax (GST) is beneficial for the FMCG industry as a lot of FMCG products like soap, toothpaste and hair oil now come under 18 % tax bracket against the previous 23-24% rate. Also, rates on food products and hygiene products have been reduced to 0-5% and 12-18%, respectively.

Food Security Bill (FSB)

- FSB will 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.

POLICY AND REGULATORY FRAMEWORK

FDI in organised retail

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

SETU scheme

- Government has initiated Self Employment and Talent Utilisation (SETU) scheme to boost young entrepreneurs. Government has invested US\$ 163.73 million for this scheme.

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.

Source: SBI

NEW GOODS AND SERVICE TAX (GST) WOULD SIMPLIFY TAX STRUCTURE

- Introduction of GST as a unified tax regime will lead to re-evaluation of procurement and distribution arrangements.
- Removal of excise duty on products would result in cash flow improvements.
- The rate of GST lies between 0-18% on services and 0-28% on goods.

Supply chain structure

- Elimination of tax cascading is expected to lower input costs and improve profitability.
- Application of tax at all points of supply chain is likely to require adjustments to profit margins, especially for distributors and retailers.

Pricing and profitability

Goods and Service Tax (GST)

- Tax refunds on goods purchased for resale implies a significant reduction in the inventory cost of distribution.
- Distributors are also expected to experience cash flow from collection of GST in their sales before remitting it to the Government at the end of the tax-filing period.

Cash flow

- Changes need to be made to accounting and IT systems in order to record transactions in line with GST requirements and appropriate measures need to be taken to ensure smooth transition to the GST.
- It is estimated that India will gain US\$ 15 billion a year by implementing GST.

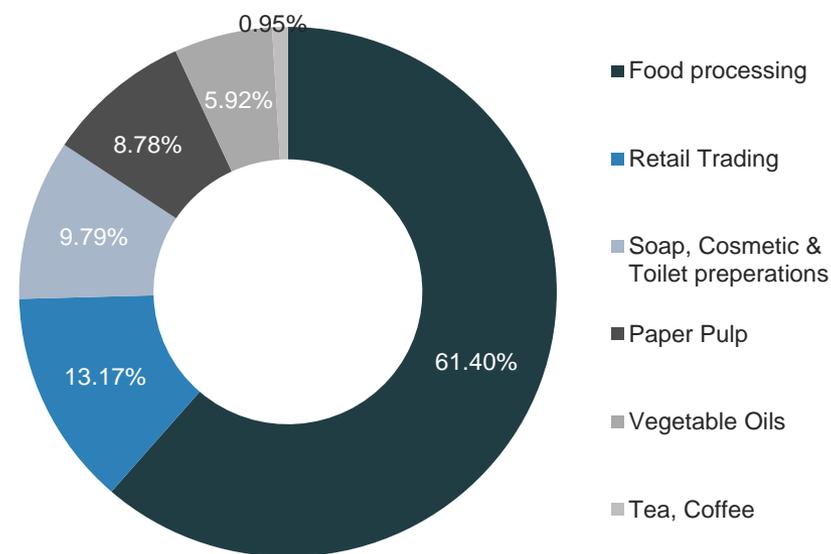
System changes and transition mgmt

Source: GST India

BOOSTS IN FDI INFLOWS AND INVESTMENTS

- 100% FDI is allowed in food processing and single-brand retail and 51% in multi-brand retail.
- This would bolster employment and supply chains and provide high visibility for FMCG brands in organised retail markets, bolstering consumer spending and encouraging more product launches.
- The sector witnessed healthy FDI inflow of US\$ 16.54 billion from April 2000 to March 2020.
- Investment intentions related to FMCG sector arising from paper pulp, sugar, fermentation, food processing, vegetable oils and vanaspati, soaps, cosmetics and toiletries industries worth Rs. 19,846 crore (US\$ 2.84 billion) was implemented until December 2019.
- In November 2020, Flipkart announced the launch of its first grocery fulfilment centre in Lucknow that will create over 500 direct jobs. The facility will support grocery products delivery to Lucknow, Kanpur and Allahabad.
- In June 2020, Convergent Finance LLP, the Mumbai based private equity fund, invested Rs. 107 crore (US\$ 14.1 million) in Jyoti International Foods, an end-to-end supply chain solutions provider in Indian food services industry.
- In June 2020, Milkbasket, a grocery delivery platform, raised US\$ 5.5 million as part of its ongoing series B round led by Inflection Point Ventures.

Cumulative FDI inflow share – April 2000 to June 2020 (US\$ million)



Source: DPIIT, Media articles

KEY M&A DEALS IN THE INDUSTRY

Target name	Acquirer Name	Merger/ Acquisition	Year
Eastern Condiment	Orkla	Acquisition (68%)	2020
Beardo	Marico	Acquisition (100%)	2020
Sunrise Food Private Limited	ITC Ltd	Acquisition	2020
Canway Corporation (South Africa)	Wipro Consumer Care and Lighting	Acquisition	2019
Delectable Technologies	ITC Ltd	Acquisition (33.42% stake)	2019
Everstone Capital and Pan India Food Solutions Pvt Ltd	Haldiram Prabhuji (Haldiram group)	Acquisition	2019
Splash Corporation, Philippines	Wipro Consumer Care and Lighting	Acquisition	2019
GlaxoSmithKline Consumer Healthcare (GSKCH India)	Hindustan Unilever Limited (HUL)	Acquisition	2018
Avadh Snacks Pvt Ltd	Prataap Snacks Ltd	Acquisition	2018
Bombay Shaving Company	Colgate Palmolive	Acquisition (14% stake)	2018
Brillare Science	Emami	Acquisition (26% stake)	2018
Beardo	Marico	Acquisition (45%)	2018
Future Consumer Limited	Future Capital Investment Private Limited	Acquisition	2017
D&A Cosmetics Proprietary Ltd and Atlanta Body and Health Products Proprietary Ltd	Dabur India	Acquisition	2017
Helios Lifestyle Pvt Ltd	Emami Ltd	Acquisition (30% stake)	2017

Source: Bloomberg, Economic Times, Business Standard, News Article

OPPORTUNITIES



GROWTH OPPORTUNITIES IN THE INDIAN FMCG INDUSTRY

Rural market	<ul style="list-style-type: none">▪ 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 and e-commerce to better logistics.▪ Rural FMCG market size is expected to touch US\$ 220 billion by 2025.
Innovative products	<ul style="list-style-type: none">▪ Indian consumers are highly adaptable to new and innovative products. For instance, there has been an easy acceptance of men's fairness creams and bread grooming products, flavoured yoghurt, cuppa mania noodles, gel based facial bleach, drinking yogurt, sugar free chyawanprash.
Premium products	<ul style="list-style-type: none">▪ With the rise in disposable income, mid- and high-income consumers in urban areas have shifted their purchase trend from essential to premium products.▪ Premium brands are manufacturing smaller packs of premium products. Example: Dove soap is available in 50g packaging.▪ Nestle is looking to expand its portfolio in premium durables cereals, pet care, coffee, and skin health accessing the potential in India.
Sourcing base	<ul style="list-style-type: none">▪ 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.
Penetration	<ul style="list-style-type: none">▪ Low penetration levels offer room for growth across consumption categories.▪ Major players are focusing on rural markets to increase their penetration in those areas.
Online FMCG	<ul style="list-style-type: none">▪ It is estimated that 40% of all FMCG purchases in India will be online by 2020, thereby making it a US\$ 5-6 billion business opportunity.

Source: Assorted articles and reports, AC Nielsen, Boston Consulting Group (BCG) and Google report September 2017

KEY INDUSTRY ORGANISATIONS



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

Indian Soap and Toiletries Manufacturers' Association

Raheja Centre, 6th Floor, Room No 614, Backbay
Reclamation, Mumbai - 400021
Phone: 91-22-2824115; Fax: 91-22-22853649
E-mail: istma@bom3.vsnl.net.in

USEFUL INFORMATION



- **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 Rs.	Rs. Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49

Exchange Rates (Calendar Year)

Year	Rs. Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89

Source: Reserve Bank of India, Average for the year

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