

Fmcg strategy

Business



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Industry Overview Evolution of the Indian FMC Sector Porter's Five Forces Model SOOT Analysis Key Challenges Trends in the Industry Growth Drivers Government Policies Major Segments Industry Analysis IV. Investments in the Sector – Recent M; A Deals – Recent Private Equity Deals Major Players – Major Players – Common Stock Comparison VI.

Profiles of the Major Players – – TIC HULLNestleDabber Godard Consumer Colgate-Palmolive Marino ASK Consumer Britannic VI'.

Corporate Profile (Adenoid Capital Advisors) 2 Executive Summary (112) The Fast Moving Consumer Goods (FMC) sector in India has been growing at a healthy CARR of 11% over the last decade Riding on the back of increasing demand and changing consumer preferences, thanks to higher disposable incomes and the retail revolution, the sector has been posting double-digit growth over the past couple of years The industry is volume driven and is characterized by low margins. The products are branded and backed by skilled marketing, heavy advertising, slick packaging and strong distribution networks.

Also, raw material prices play an important role in determining the pricing of the final product Modern retail formats rising income levels and the spread of modern retail, the FMC industry future prospects look bright which is expected to further boost sales Growth in the sector is led by higher urban and rural demand.

Going forward , the government's growing support to agriculture will drive long-term growth in consumption from the rural sector In our view, amongst

all the FMC segments, the food segment will outperform over the coming years 3 Executive Summary (2/2)

The Indian food industry is a significant part of the Indian economy, (food constitutes about 36% of the consumer wallet) The Indian food industry is poised to grow by a whopping 63. 5% from RSI 788, scars now to RSI. 1, 288, scars in next 5 years and by 137. 8% to RSI. 1, 874, scars in next 10 years, throwing up huge opportunities for investments across the entire value chains India faces contrasting problems of having one of the highest malnutrition cases and also being the diabetes capital of the World.

Len our view, both of these are an opportunities for Food companies. The

Slowdown in rural demand Tax and regulatory structure Key Challenges

Trends in the Industry Growth Drivers Opportunities in the Sector

Government Policies Segment Overview 13 Key Challenges Commodity

prices fluctuate, which make it difficult to finalize raw material prices, affecting the final price of the product Price of inputs Indian consumers are very price-sensitive and value conscious, making it difficult for FMC firms to

pass on the increased costs Private labels serve to lower the consumer's price points, particularly at the mass level Conflicts of interest when a detail chain has its own label whose packaging looks like category leaders' and

stocks brands of other manufacturers, (in terms of display space, promotions etc) These products narrow the scope of FMC products in rural and semi-

urban market The spurious pass off products affect large, high quality brands which have actually invested money in research and development to create their products and build brand equity Emergence of Private Labels

Counterfeit and Pass-offs Infrastructural Bottlenecks Power Costs

Transportation Infrastructure Agricultural Infrastructure 14

Consolidation Indian FMC companies are consolidating their existing business portfolios Several companies have started innovating by launching or customizing their existing product portfolios for new consumer segments Lifestyle and premium range products are the current hot target product segments among Indian FMC players Product innovation Lifestyle products Expanding horizons A number of companies are exploring the business potential of overseas markets and several regional markets Backward integration Backward integration is becoming the preferred strategy for increasing profit margins Expanding distribution networks Companies are now focused on improving their distribution networks to expand their reach in rural India 15 Industry Trends Third-party manufacturing FMC players often outsource manufacturing or processing of a certain range of products to small vendors. This approach has helped companies focus on front-end marketing Companies are increasingly introducing smaller stock keeping units at reduced prices.

This helps them sustain margins, maintain volumes from price-conscious customers and expand their consumer base Small towns are emerging as significant hiring zones. FMC companies are hiring field staff from areas such as Koala (Himalaya Pradesh), Managerial (Madhya Pradesh), Jota (Restaurants), and Shirrs (Maharajah's) to sell diverse products FMC companies entering Africa as it helps to be close to consumption markets within Africa. Such foreign investments are encouraged by local governments, as they offer incentives to enter the markets Rising

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importance of smaller-sized packs Increased hiring from tier 11/111 cities
Focus on enhancing presence in Africa Reducing carbon footprint FMC
players in India are focusing on reducing their carbon footprint.

They generate Growth Drivers Large Market Spending Pattern FED Support
Rise of rural consumers Increasing per capita income of urban population
Growing popularity of organized retail Changing Profile and Mind Set of
Consumer 17 Opportunities in the Sector Untapped Rural Market 0 The
fragmented and untapped huge rural market, which houses 2/3rd of the total
Indian population, is vital for the growth of FMC sector as a whole 0 In order
to reduce the marketing costs and raise efficiency through van sales or by
creating rural supermarkets, the FMC companies should join forces in
targeting the fragmented ND broken rural market Food-processing Industry 0
Penetration level as well as per capita consumption in most product
categories like jams, toothpaste, skin care, hair wash etc in India is low,
indicating the untapped market potential 0 With 200 million people expected
to shift to processed and packaged food, India needs around IIS\$ 30 billion of
investment in the videoconferencing industry Lack of Infrastructure and
storage facilities 0 Huge shortage of infrastructure facilities and storage
facilities in rural areas of the country, which makes its difficult for FMC
companies to market their products 0

Huge investments in developing rural infrastructure and efficient utilization
of resources like our coast line, solar energy and vast human resources is
imperative for Fang's overall growth in India 18 Government Policies ;
Regulatory Framework Investment Approval: Automatic investment approval
up to 100 per cent foreign processing segments such as coffee and tea FED
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in organized retail: India currently allows 100 per cent FED in Cash ; Carry segment and 51% in single-brand retail, which is expected to be further increased to 100%. India is also expected to allow 1% FED in multi-brand retail, which will boost the nascent organized retail market in the country

Priority Sector: The Government of India recognizes food processing and agro industries as priority sectors

Relaxation of license rules: Industrial licenses are 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 manufacturing 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 (SMS) of sugarcane with Fair and Remunerative Price (FRR) and the Stateside Price (SAP)

19 Segment Overview Market Segments

The food and beverages segment is the highest contributor to the FMC sector

The FMC market has three major segments

20 Household Care

The detergents segment dominates the household care segment and has been growing at an annual growth rate of 10-11% in the past five years

Local and unrecognized players account for a major share of the total volume of the detergent market

The Household care segment is plagued by intense competition and high level of penetration. With rapid arbitration, emergence of small pack sizes and sachets is picking up

In the washing powder segment, HULL is the leader and other major players like Naira, Hinkle and Proctor ; Gamble continue to provide stiff competition/innovation

21 Personal Care

The Personal care segment includes personal washing products, hair care products, oral care

products, cosmetics, skin care etc The hair care market can be segmented into hair oils, shampoos, hair coolants ; conditioners, and hair gels.

The coconut oil market accounts for 72% share in the hair IL market The skin care market is at a primary stage in India. With the change in life are becoming more alert about personal grooming The oral care market can be segmented into toothpaste – 60%; toothpaste – 23%; toothbrushes – 17% The Indian personal care segment is set to change significantly in the coming years as consumption habits, fuelled by rising disposable income and changing lifestyles, align themselves with global trends.

E. G. Bath soaps are likely to be replaced by shower gel or liquid soap variants and there will be growing use of hair conditioners and electronic tooth brushes