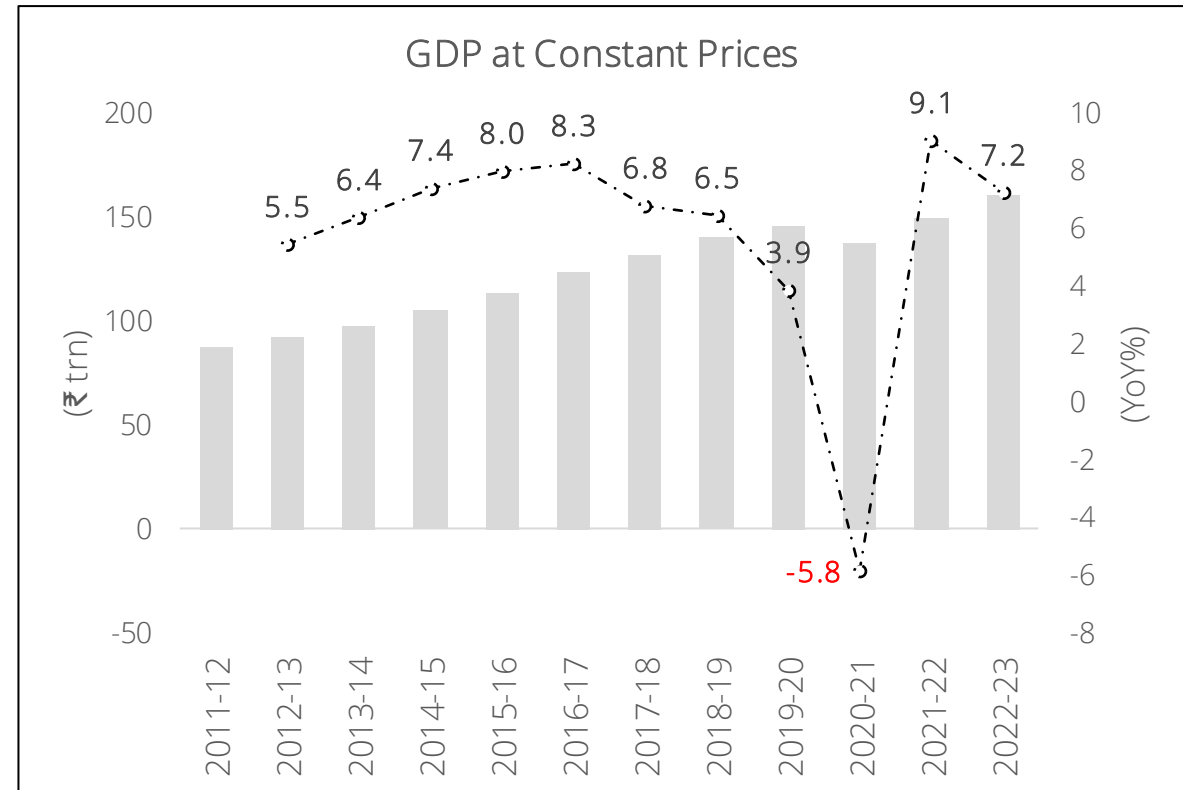
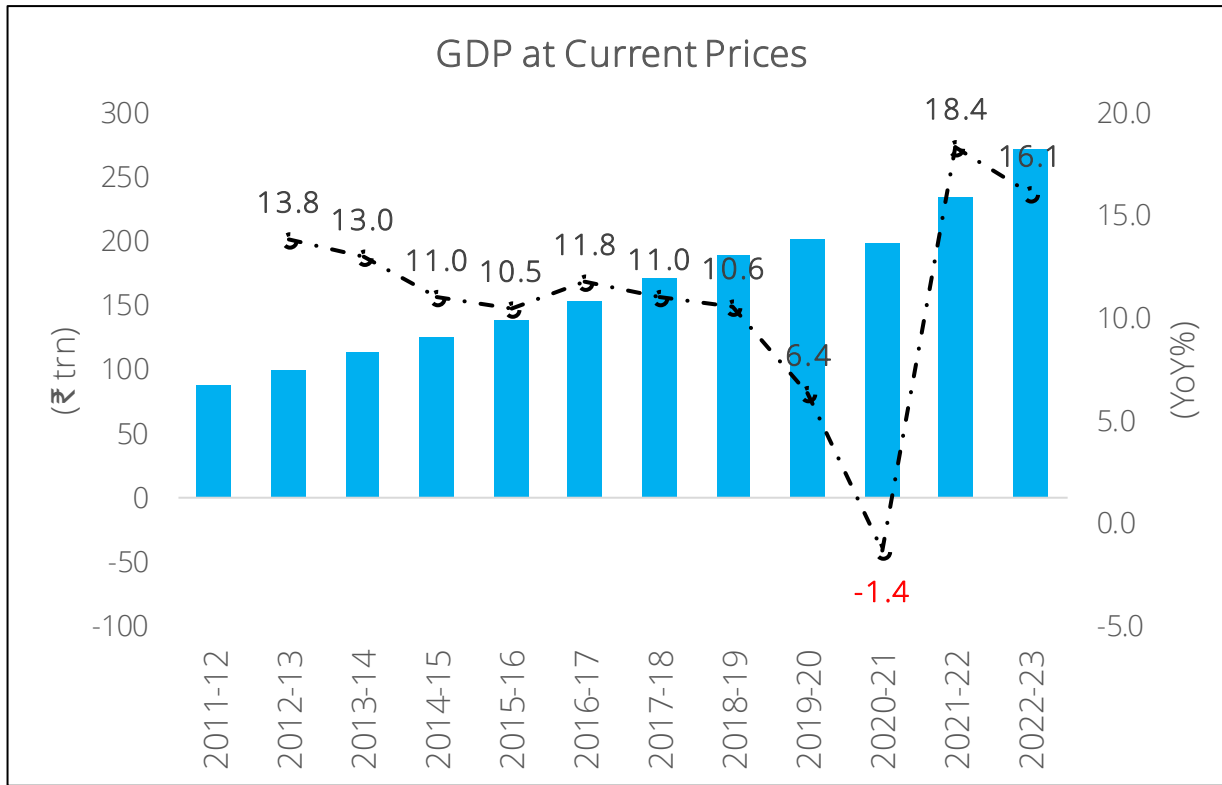

FMCG in India

July 2023



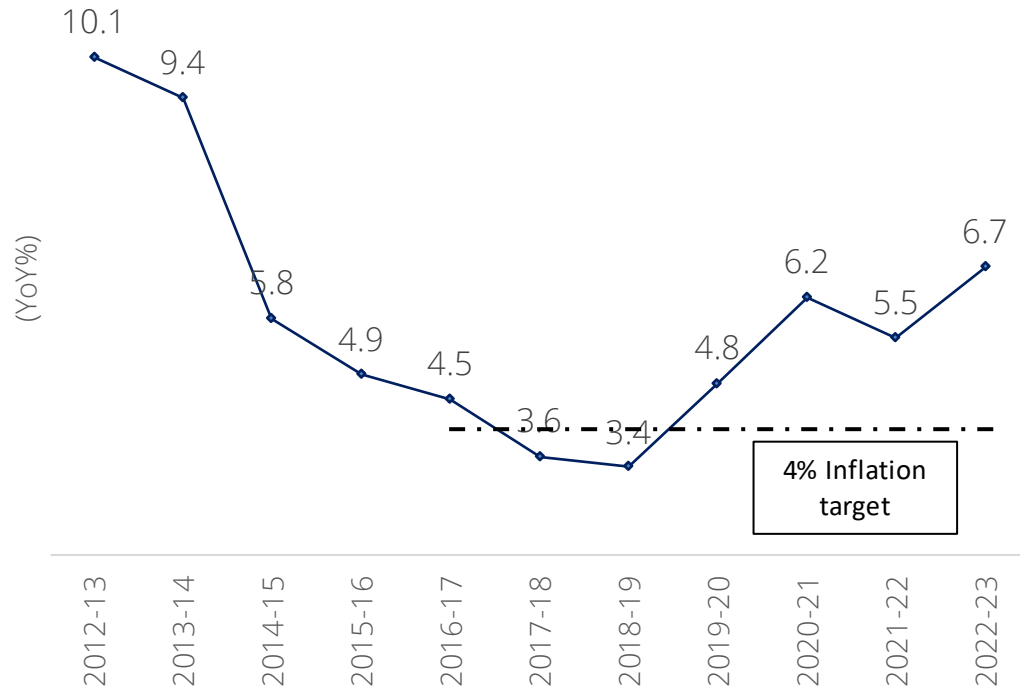
India's GDP Growth FY 12 to FY 22



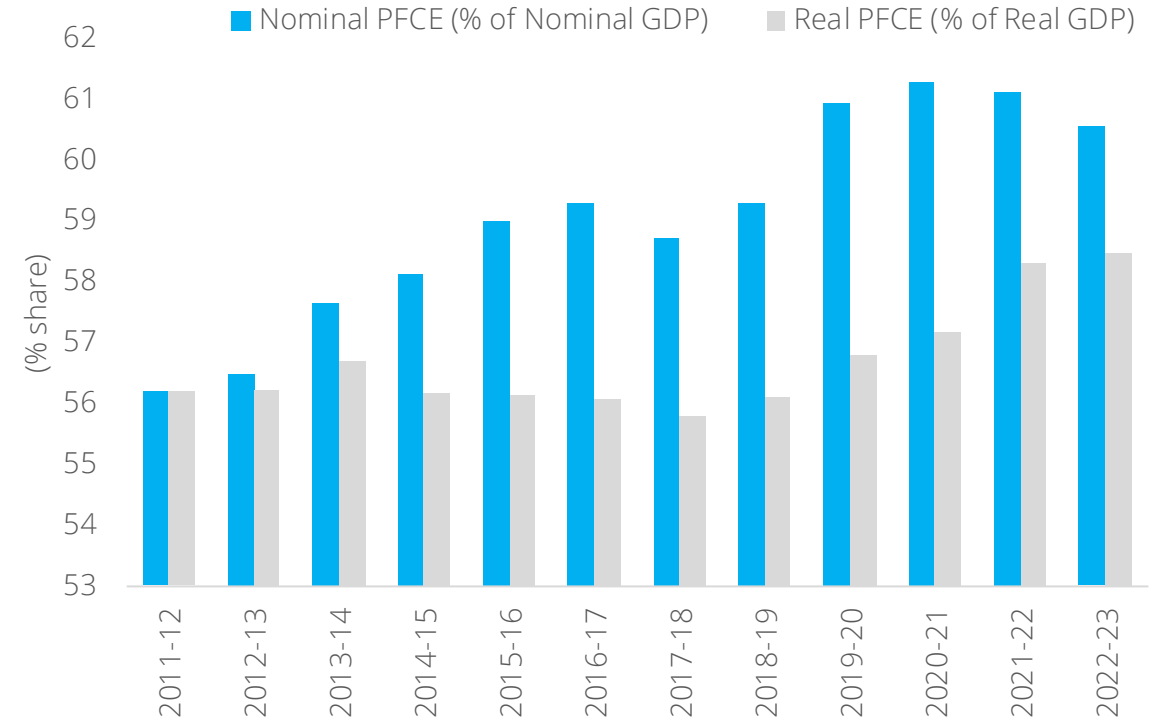
- During FY 12 to FY 20, nominal GDP grew at a CAGR of 9.7%, compared to real (ie minus inflation) CAGR of 5.8%.
 - In the same years, nominal Private Final Consumption Expenditure (PFCE), as a % of GDP, has grown from 56% to 61%. Real PFCE, on the other hand, has increased marginally from 56% to 57%.

CPI and Private Consumption

Consumer Price Inflation (annual average)

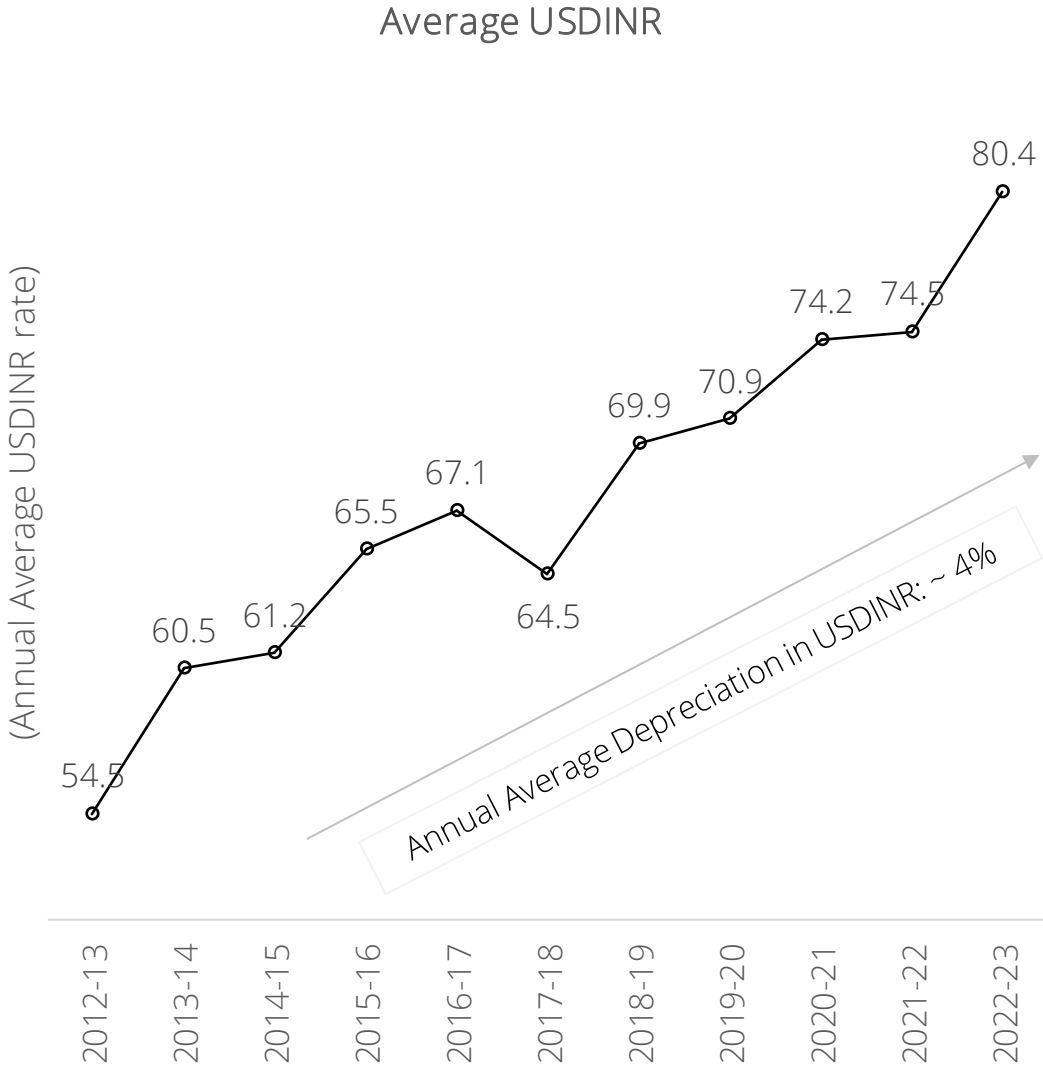
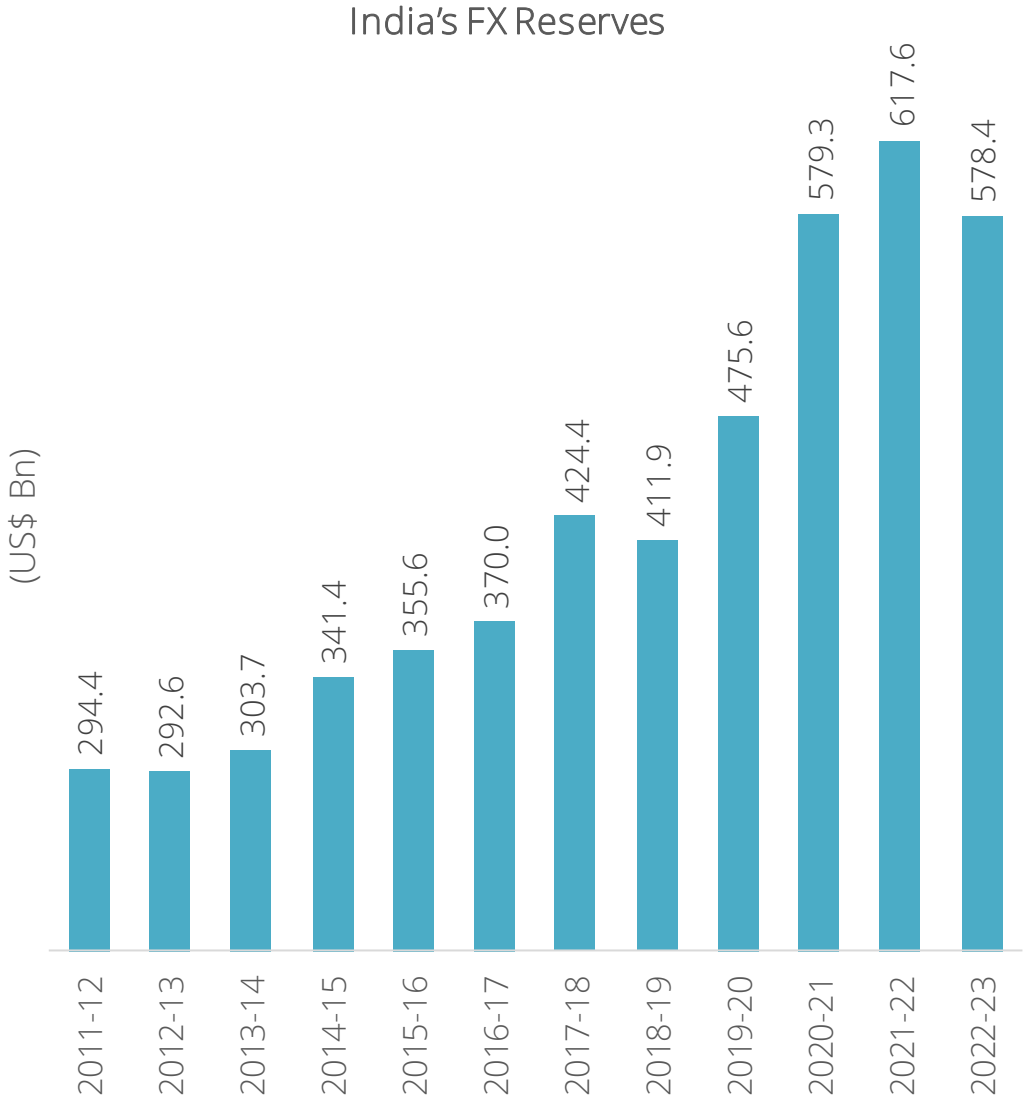


Nominal and Real Private Consumption



- During the period FY 12 to FY 20, nominal Private Final Consumption Expenditure (PFCE), as a % of GDP, has grown from 56% to 61%.
 - Real PFCE, on the other hand, has increased marginally from 56% to 57%.

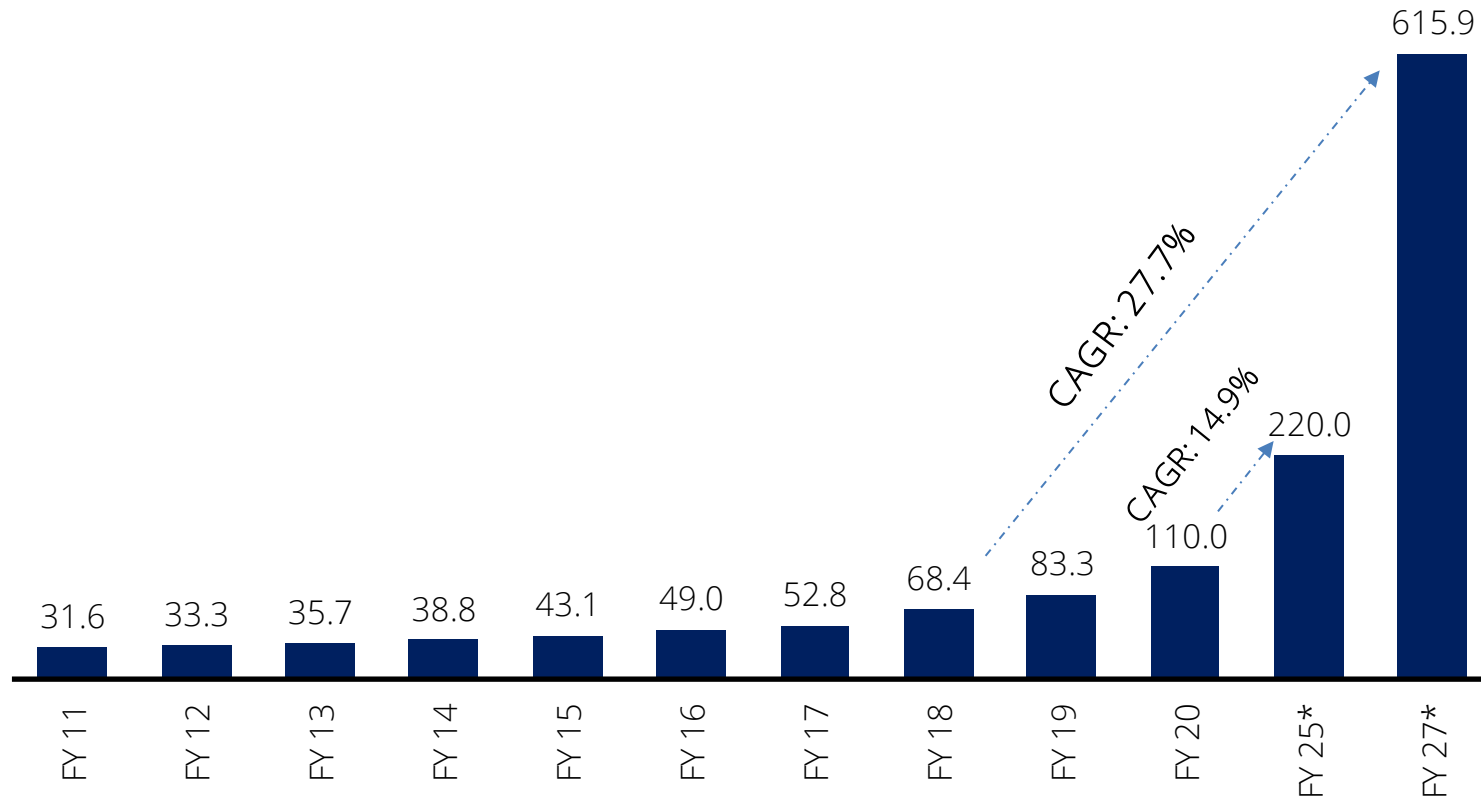
FX Reserves and the US Dollar



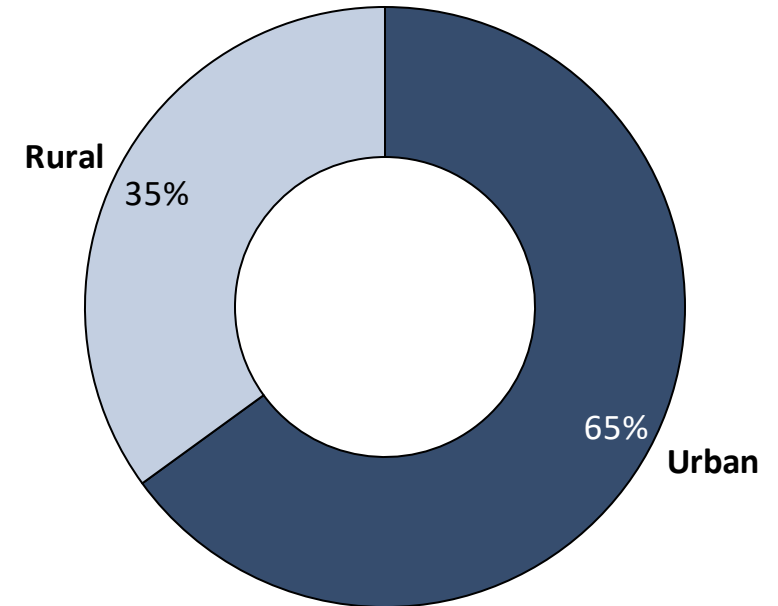
Source: Ministry of Statistical Planning and Implementation

FMCG Market Size in India: FY 11 – 20; Projections for FY 27

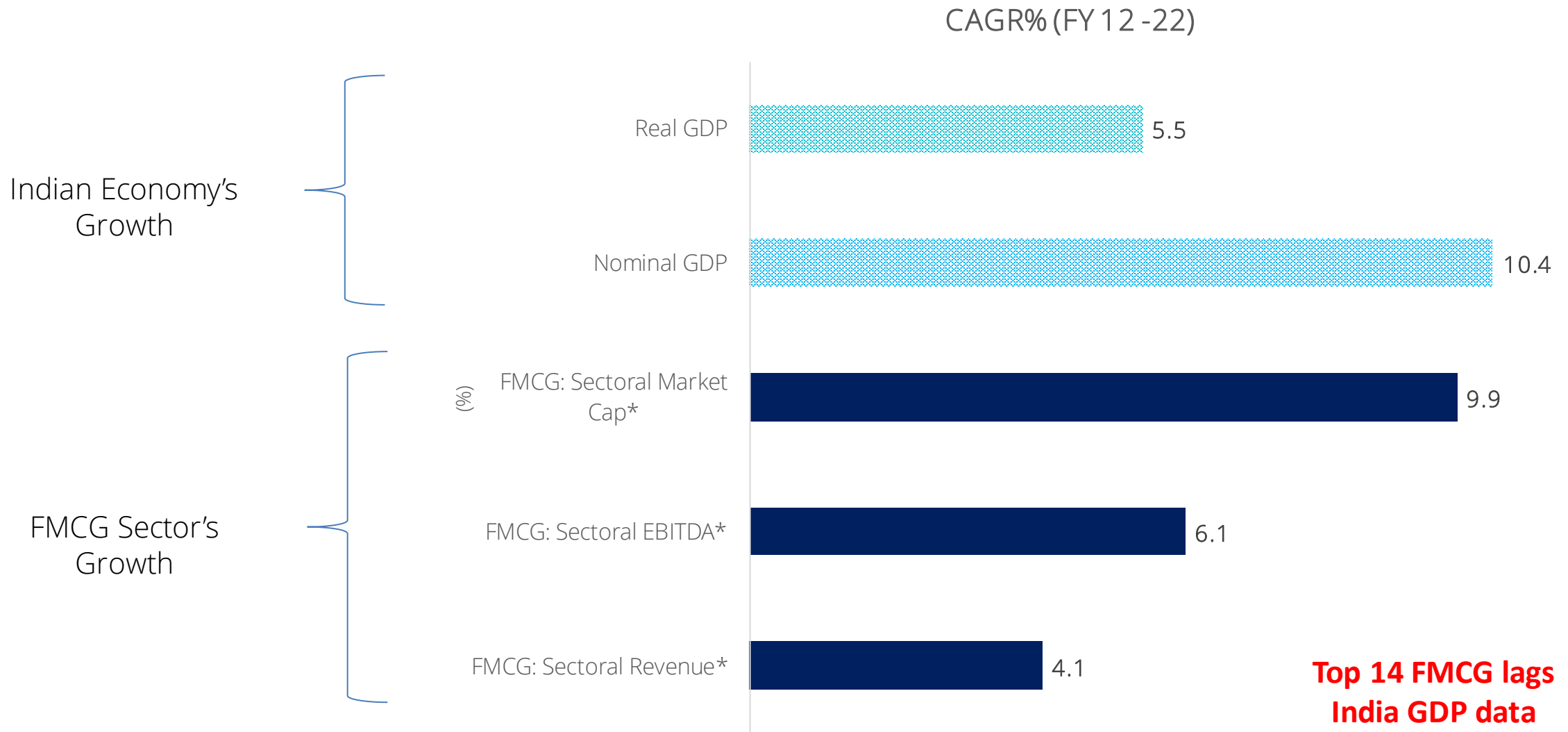
FMCG: Total Market Size (US\$ Bn)



Urban-Rural Industry Breakup in 2022



Growth dynamics: India's GDP and the FMCG Sector



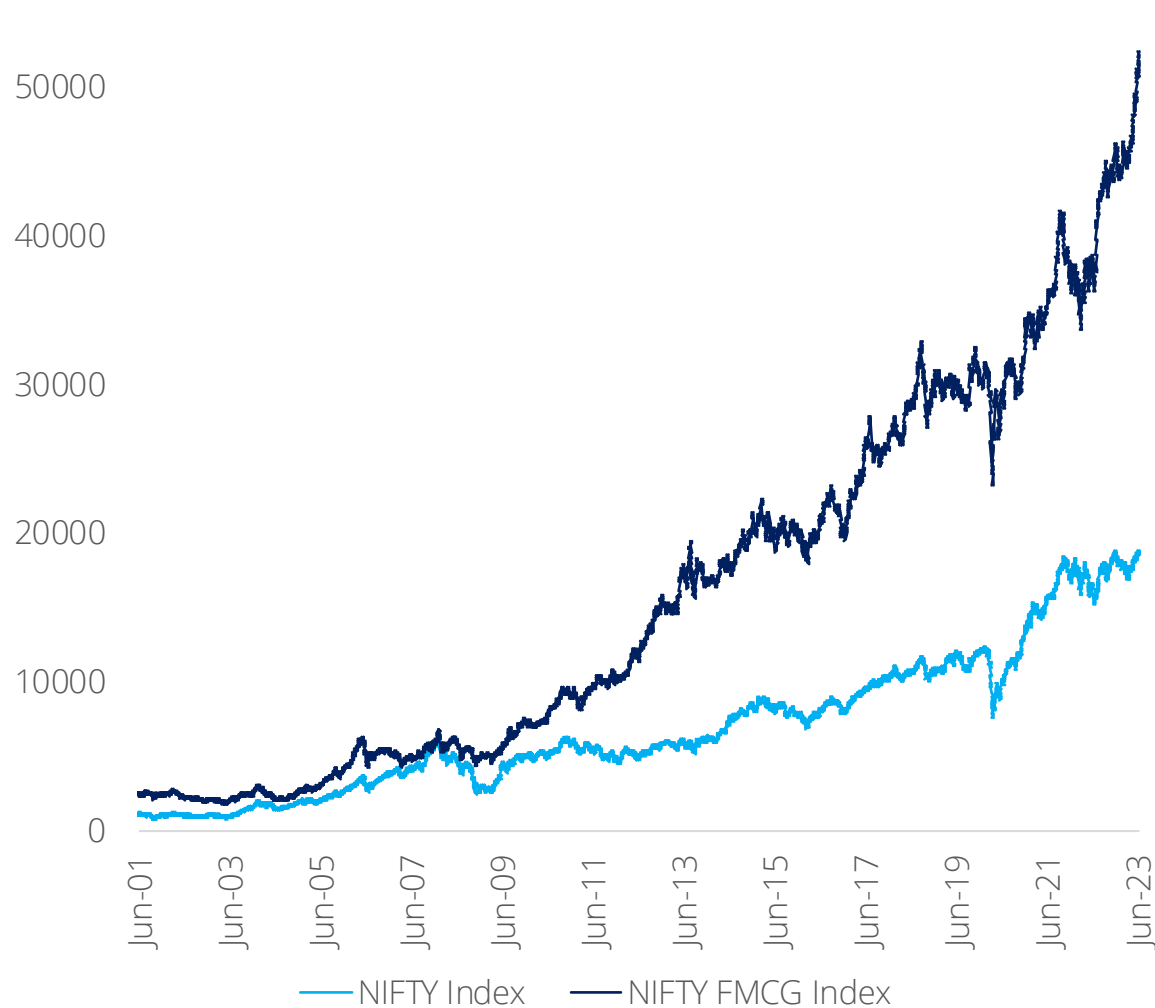
Source: MoSPI, Anand Rathi's report on FMCG (April 23)

* From the annual results of top-14 listed FMCG companies in India

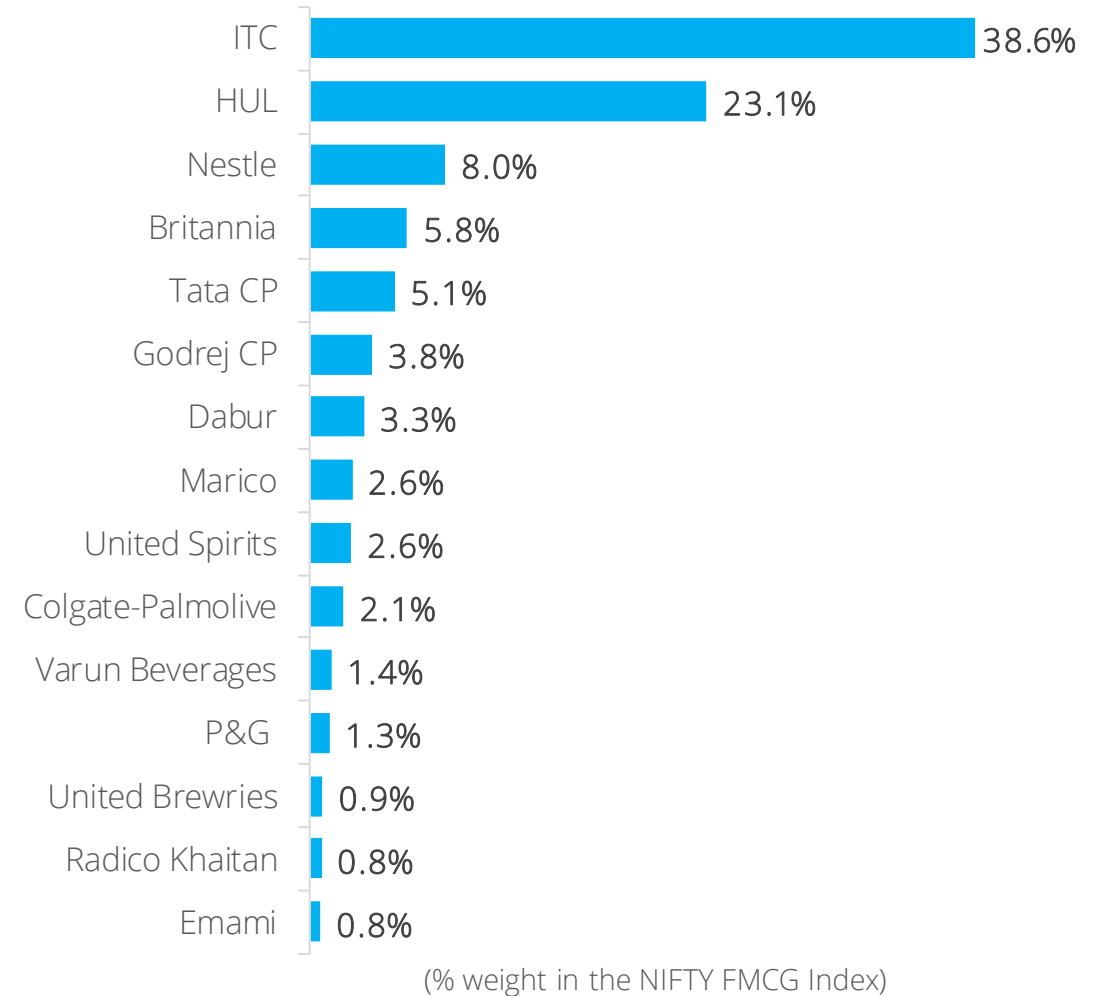
FMCG analysis, Shiv, Aditi, Ritik

NIFTY FMCG Index has outperformed NIFTY returns by a wide margin over the last decade

NIFTY and NIFTY FMCG Index: Decadal Trend



Composition of the NIFTY FMCG Index



Key FMCG Players in India : Financial Metrics – FY23

₹ crore

Particulars	Hindustan Unilever	Dabur	Godrej Consumer	Britannia	Nestle India	ITC
Revenue	59,549	11,530	13,199	15,985	17,615	70,245
EBITDA	14,164	2,164	2,539	2,831	3,961	25,665
EBITDA %	24%	19%	19%	18%	22%	0
Free Cash Flows	8,990	1,285	1,923	1,793	2,273*	17,435
Market Cap	6,01,578	96,543	99,012	1,04,107	2,19,934	4,76,614
EV/EBITDA (Times)	42	45	38	37	59	18

Average volume growth has fallen from ~10% in FY 11-15 to 4% in FY 16-22

Source: Company Annual Reports, Bloomberg, Anand Rathi's report on FMCG (April 23)

* - As on 31/3/22

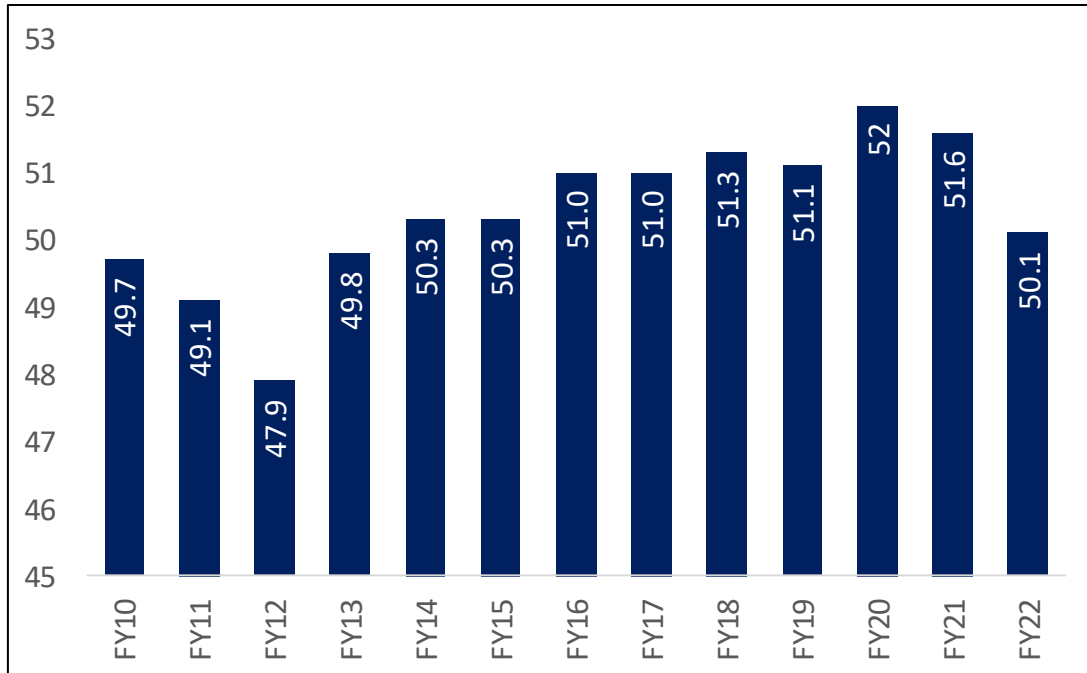
Distribution Reach for FMCG Companies

Company	Million stores		
	2010	2015	2022
Hindustan Unilever	6.3	6.5	9.0
Nestle	3.2	4.5	5.5
Dabur	2.8	5.3	6.9
Godrej Consumer	2.4	4.6	6.0
Marico	3.3	3.6	5.6
Emami	2.6	4.0	4.9
Britannia	3.5	4.0	5.0
Bajaj Consumer	1.6	2.8	3.7
Jyothi Labs	2.7	2.7	2.8
Total	28.4	38.0	49.4

Distribution growth for most FMCG companies has slowed down from ~7% p.a. from FY 10 -15 to ~4% in the last 7 years – impact of E com also

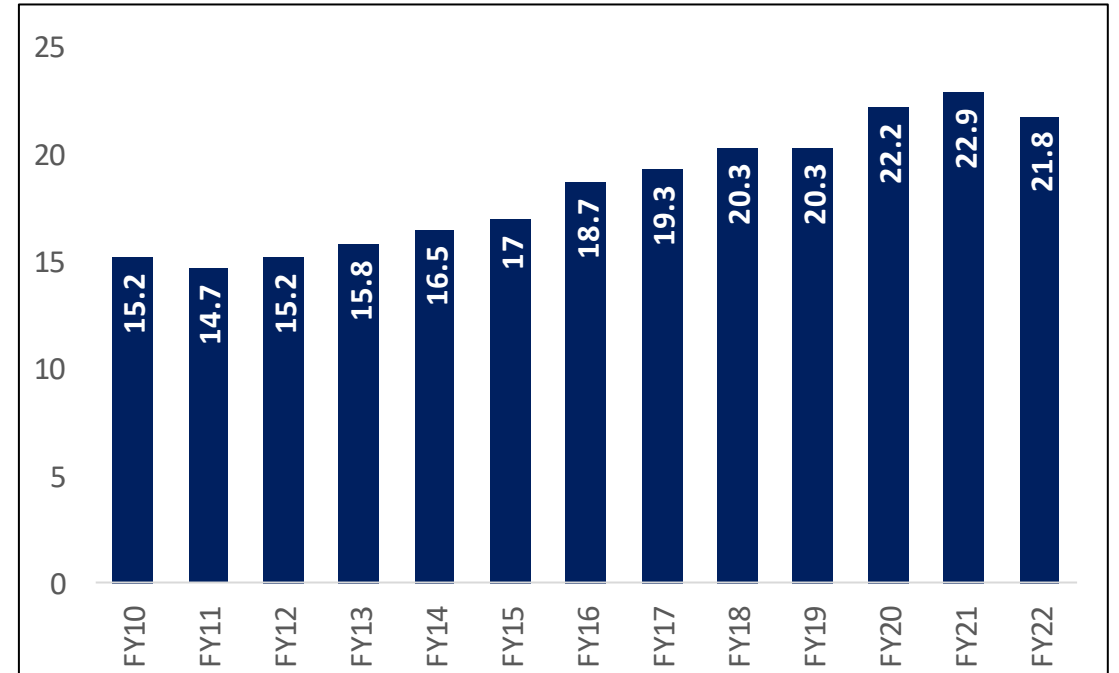
FMCG Companies' EBITDA margins

FMCG Companies' Gross Margins
(% of revenue)



The gain in EBITDA margins has not been led by gross margins

FMCG Companies' EBITDA Margins
(% of revenue)

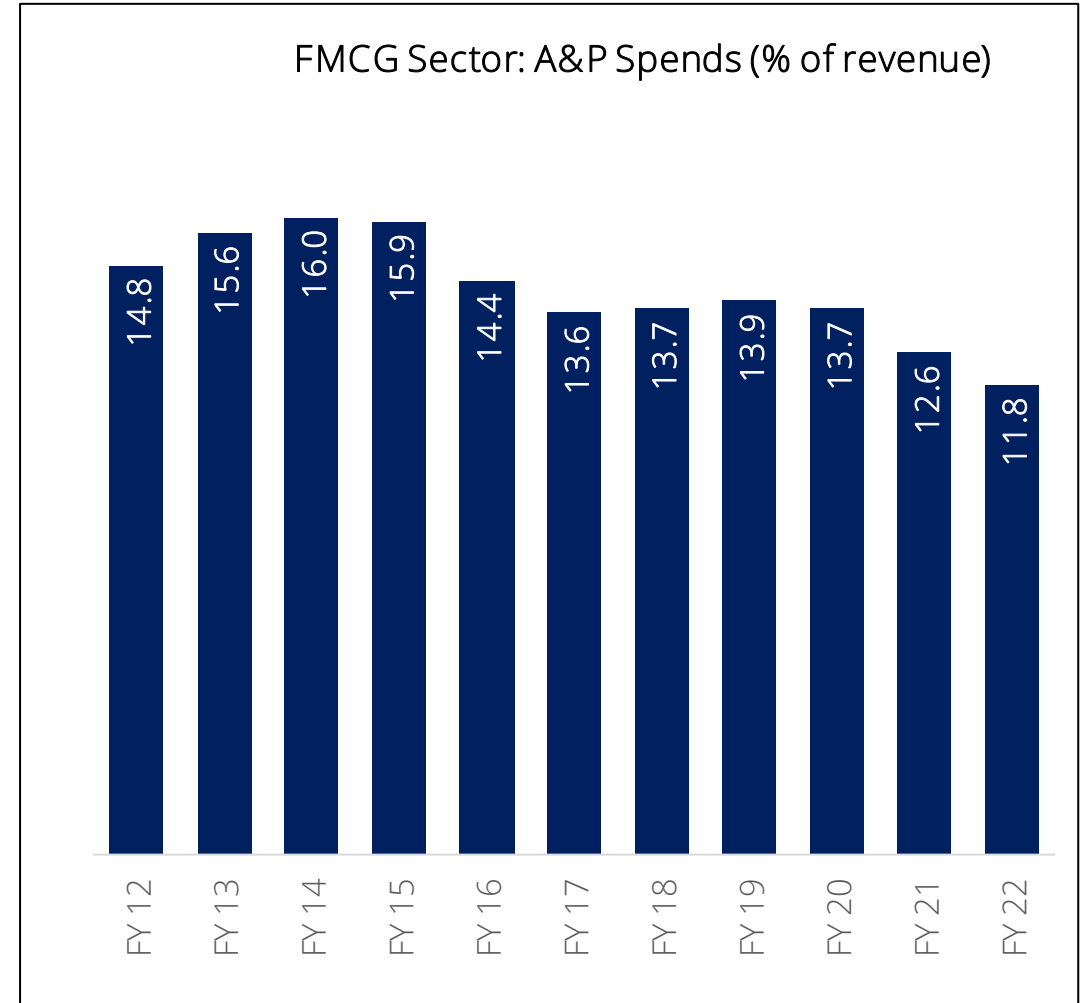


EBITDA margins averaged a ~500 bps rise in 6-7 years

FMCG Companies: Advertisement spends now lower than pre-Covid levels

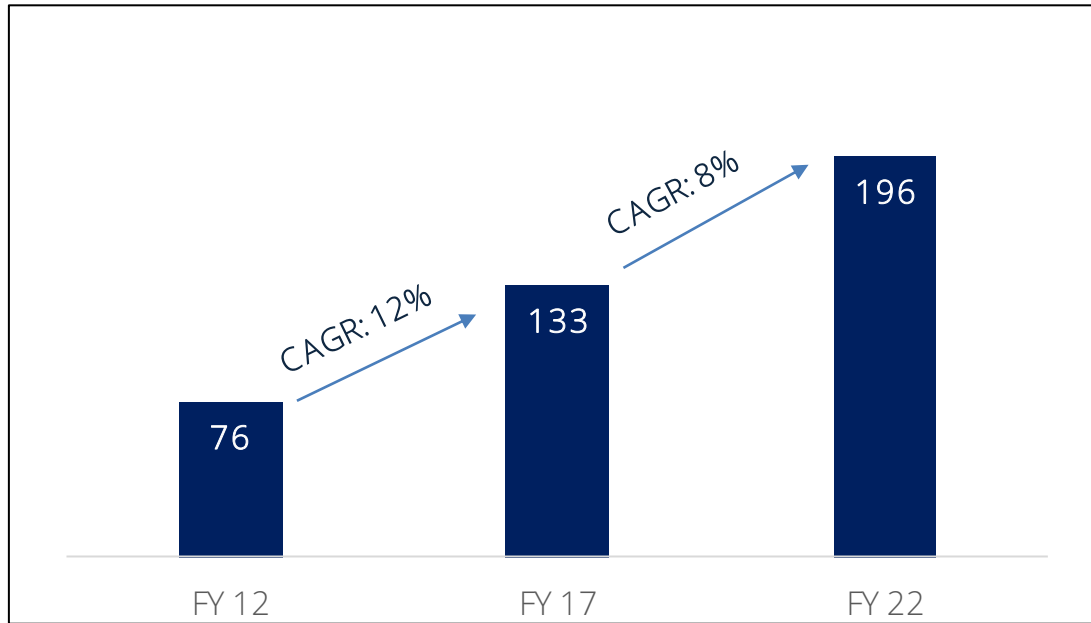
Ad spends (% of sales)

Company	FY19	FY20	H1FY23	H2FY23
Hindustan Unilever	11.9	12.1	8.2	8.3
Dabur	7.1	7.5	5.3	5.8
Godrej Consumer	8.1	7.5	7.4	7.4
Tata Consumer	7.6	7	6.4	6.2
Marico	9	9.9	8.2	9.1
Colgate Palmolive	12.7	13.8	12.5	11.9
Emami	17.5	17.7	17.4	15.6
Jyothi Labs	6.2	7.2	6.9	7.1
Bajaj Consumer	15.2	20.6	18.2	17.7

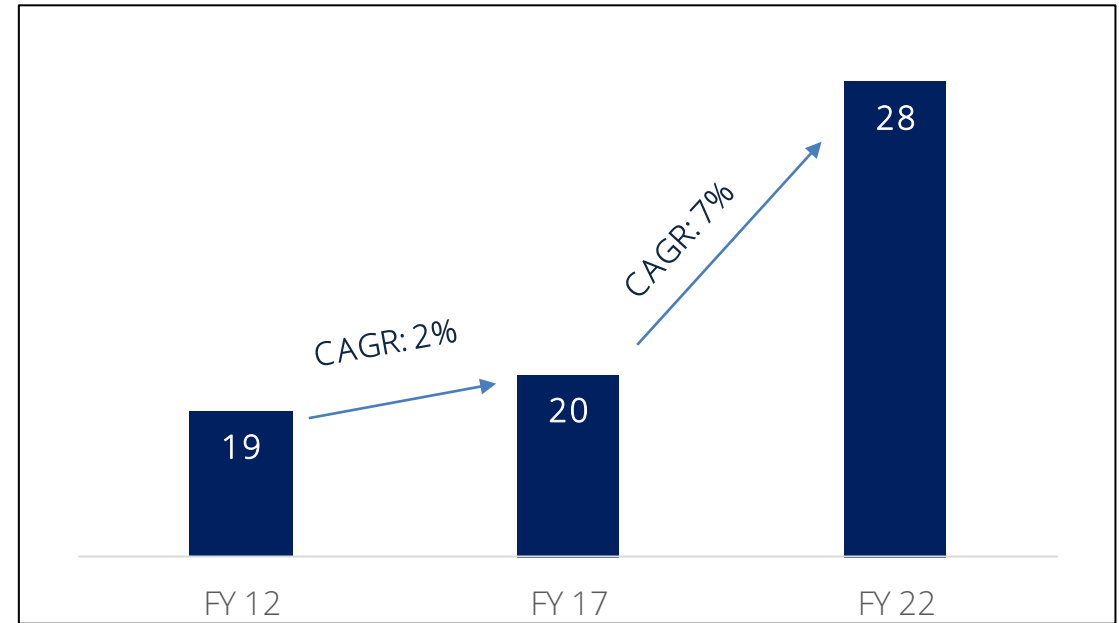


Market capitalization and earnings for FMCG sector

Market Cap of the sector*
(US\$ Bn)



Revenue of the sector*
(US\$ Bn)



- Global FMCG companies are trading at 22x on a one-year forward P/E vs. Indian FMCG companies at 37x.
- This is driven by expected 4.6%/5.1% revenue/ earnings CAGRs for Global FMCG companies over the next two years vs. 10.4%/14.2% revenue/ earnings CAGRs for Indian FMCG companies, per Bloomberg estimates
- This is also because of the mix of sectors in the stock market. International stock exchanges have many more technology stocks, India stock exchange has very few tech stocks.

FMCG Sector: P/E: India vs Global

Indian FMCG Forward Multiples			
	PE		
	FY 23 e	FY 24 e	FY 25 e
HUL	60.0	51.5	45.8
Colgate	41.4	37.4	34.4
Nestle	68.3	59.4	53.0
ITC	26.4	23.8	21.5
Dabur	50.0	42.7	37.1
GPCL	56.5	44.7	38.6
Marico	47.6	40.8	35.8
Britannia	53.5	46.7	40.9
Emami	24.6	20.7	19.1
Bajaj Consumer	16.3	12.6	10.9
Jyothy Labs	30.3	24.1	20.4
Tata Consumer	57.2	46.5	40.0
Varun Beverages	48.5	40.1	26.4

Global FMCG Forward Multiples			
	PE		
	FY 23 e	FY 24 e	FY 25 e
Unilever	17.9	17.3	16.2
P&G	24.5	23.0	21.5
Colgate	25.3	24.4	22.6
Nestle	22.1	21.2	19.8
Danone	17.5	16.7	15.6
Mondelez Int	23.6	22.4	20.9
Coca Cola	25.4	24.4	22.7
Pepsico	27.1	25.4	23.6
L'oreal	35.4	32.8	30.2
Tyson Foods	5.5	11.8	9.1
Krafft Heiz	14.5	14.5	13.7
General Mills	20.1	19.3	18.6
Kelloggs	16.3	16.7	15.9

- Global FMCG companies are trading at 22x on a one-year forward P/E vs. Indian FMCG companies at 37x.
- This is driven by expected 4.6%/5.1% revenue/ earnings CAGRs for Global FMCG companies over the next two years vs. 10.4%/14.2% revenue/ earnings CAGRs for Indian FMCG companies.

Expectations of volume & revenue growth for the sector

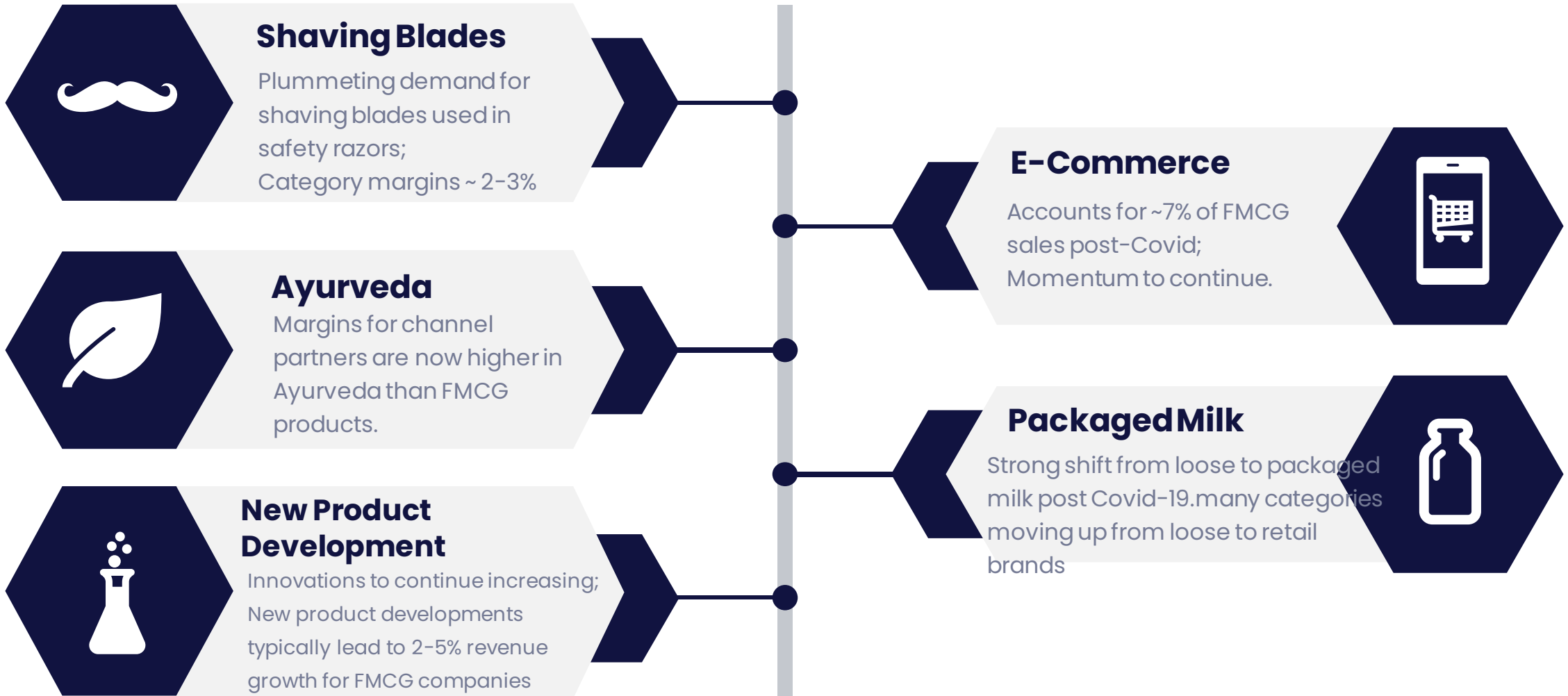
- Growth coming from smaller brands and not the big brands in last 12 months. Big brands losing share.
- Premiumization will continue with better packaging and sensory appeal
- Wider direct and indirect reach by FMCG companies will be challenged with E commerce focus
- E commerce is a double edged sword, big FMCG companies are shy to partner and hence lose out.

Estimated growth in FMCG sector

Source	FY 23-25 CAGR
Bloomberg	10.7%
Anand Rathi	10%

This growth is lower than India's nominal GDP growth

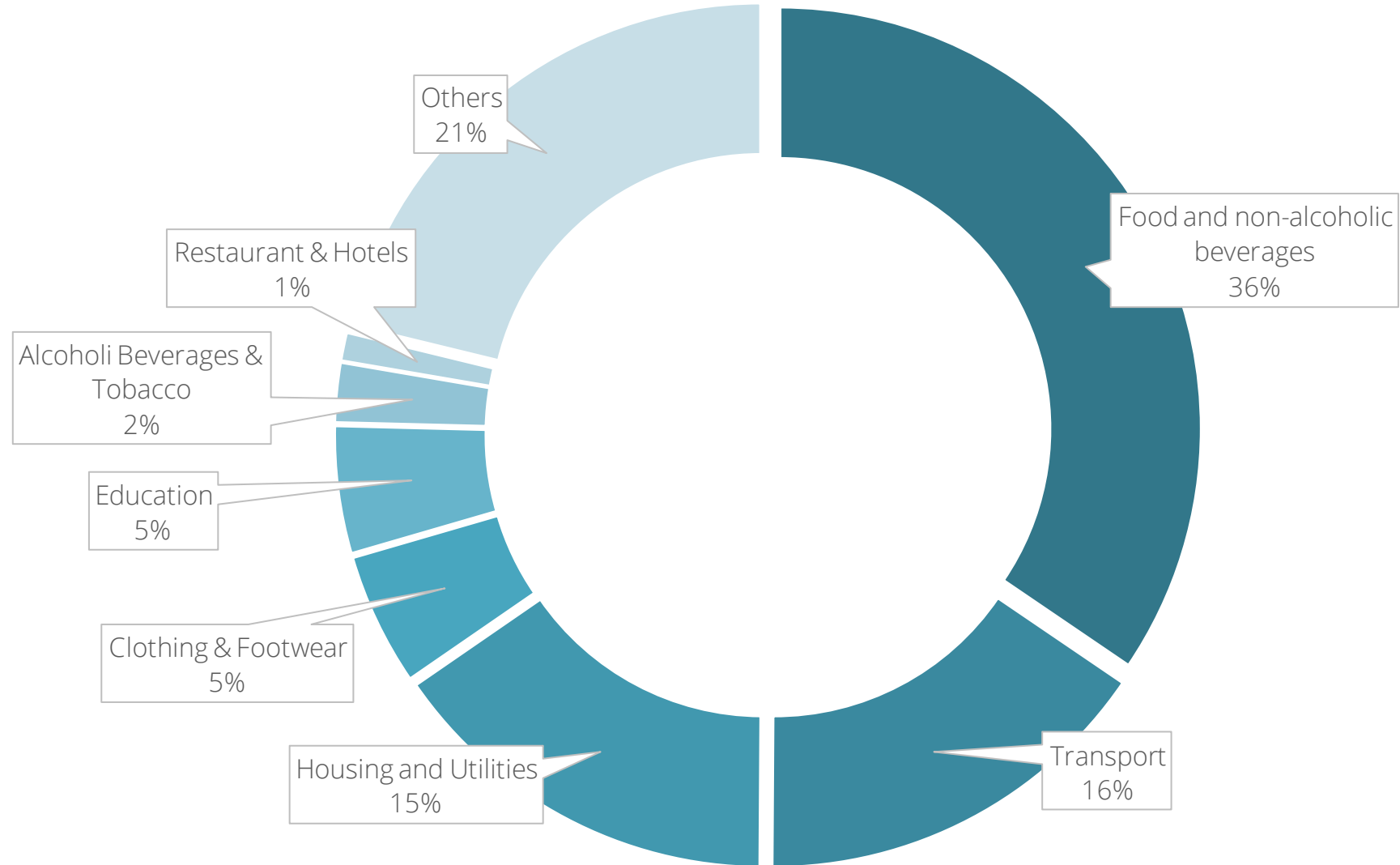
India's FMCG Sector in 2023: Structural Shifts in Consumer Demand



Household Consumption at a Glance

What are Indian households spending on?

Households' Final Consumption Expenditure – By item (FY 21)



E-commerce and the rise of D2C Brands

E-commerce and the rise of D2C Brands

Vast under-penetrated e-commerce markets: India's online beauty & personal care category penetration is just 6%, vs. 15-20% for the US and 25-35% for China.

This has driven many FMCG companies to invest in these new D2C brands

	Investment / Acquired	Organic launches
Marico	Beardo, JustHerbs, True Elements	CocoSoul, PureSense, Fittify
Dabur		Baby care, Facewash, Cold pressed oil, F&B ranges such as Apple vinegar juice, etc.
Emami	Helios Lifestyle (The Man Company), Cannis Lupus, Tru Native, Brillaire	Creme21, Zandu brands online
Bajaj Consumer		Natyv Soul, Bajaj Pure
Colgate	Bombay Shaving Company	
HUL	Oziva, Wellbeing Nutrition	Dove baby, Love Beauty & Planet, Simple, Dermalogica
ITC	Mother Sparsh, Yoga Bar	Dermafique
GCP		Goodnessme, Godrej Protekt All-in-1 Dishwasher tablets, Godrej Ezee pods and the Goodknight anti-mosquito bed-nets
Tata Consumer	Soulfull	Tata Tea 1968, Tata Coffee Sonnets

Thank You

Annexure

Leading FMCG Companies - Revenue

₹ '000 crore

Company	FY18	FY19	FY20	FY21	FY22	FY23	5 yr CAGR %
HUL	35	39	39	46	52	60	11%
Dabur	8	8	9	9	11	12	9%
Godrej Consumer	10	10	10	11	12	13	6%
Britannia	10	11	11	13	14	16	10%
Nestle India	11	12	13	15	17	18	9%
ITC	43	48	49	49	60	70	10%

For many here, there is acquisition built in
Without acquisitions, revenue is slower

Leading FMCG Companies – EBITDA %

Company	2018	2019	2020	2021	2022	2023
HUL	22%	23%	25%	25%	25%	24%
Dabur	21%	21%	21%	21%	21%	19%
Godrej Consumer	21%	21%	22%	22%	20%	19%
Britannia	15%	16%	16%	19%	16%	18%
Nestle India	23%	24%	24%	24%	22%	22%
ITC	38%	38%	39%	35%	34%	37%

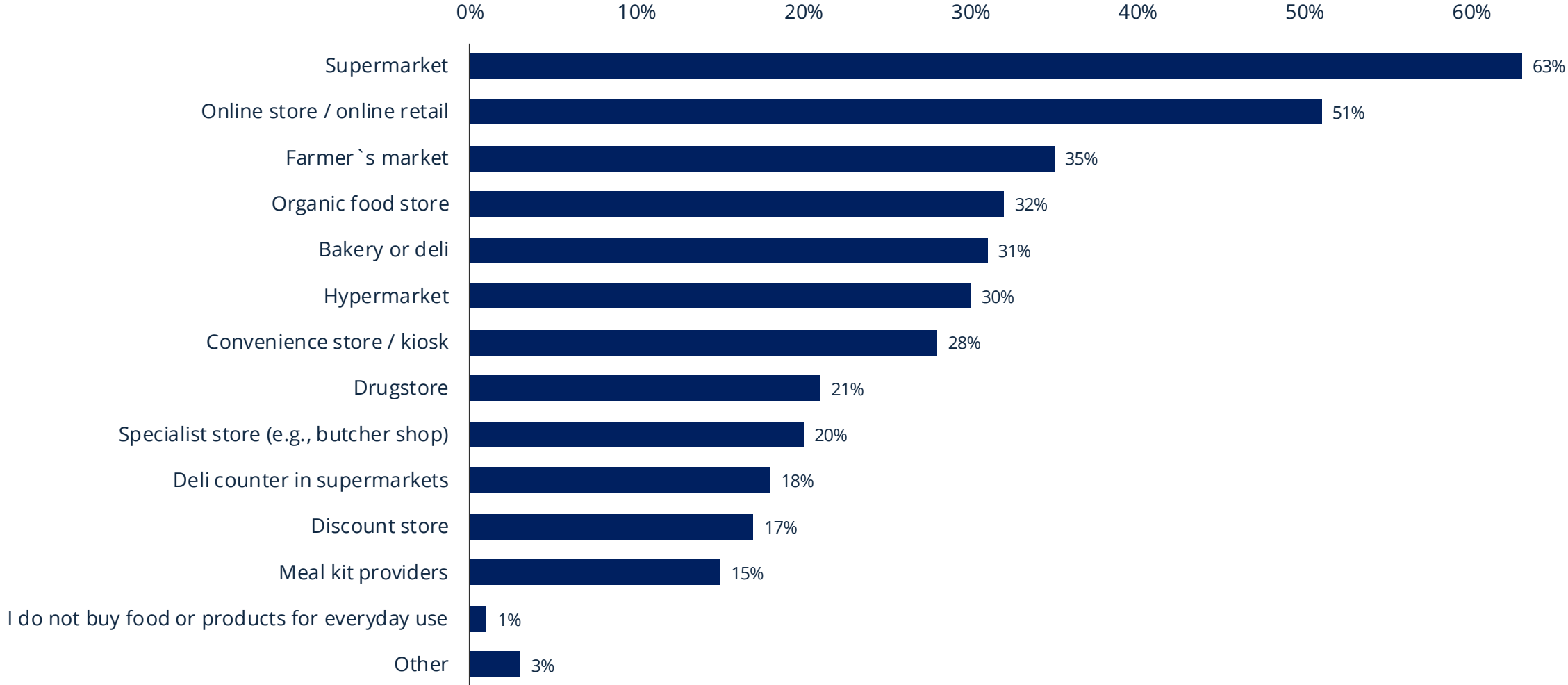
Leading FMCG Companies – Market Capitalization

₹ 'lakh crore

Company	2018	2019	2020	2021	2022	2023	5 yr CAGR %
HUL	2.9	3.7	5.0	5.7	4.8	6.0	16%
Dabur	0.6	0.7	0.8	1.0	0.9	1.0	11%
Godrej Consumer	0.7	0.7	0.5	0.7	0.8	1.0	6%
Britannia	0.6	0.7	0.6	0.9	0.8	1.0	12%
Nestle India	1.1	1.4	1.8	1.9	1.9	2.2	16%
ITC	3.1	3.6	2.1	2.7	3.1	4.8	9%

Grocery shopping by type in India (as of March 2023)

Share of respondents



Source: Statista Consumer Insights