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MARC Insights FMCG Industry

March 2024



Table of contents

- | | | | |
|----------|--|----------|--|
| 1 | <u>FMCG Industry Overview</u>
Page no. 3 | 6 | <u>Recent Trends In FMCG Industry</u>
Page no 15 |
| 2 | <u>Segment-wise FMCG Analysis</u>
Page no. 7 | 7 | <u>Competitor Analysis</u>
Page no.18 |
| 3 | <u>Impact Of Covid 19 On FMCG Industry</u>
Page no. 11 | 8 | <u>Financial Statements Analysis Of ITC Ltd</u>
Page no. 20 |
| 4 | <u>Mergers & Acquisitions Activities In FMCG Industry</u>
Page no. 13 | | |

FMCG Industry Overview

The FMCG Industry In India

FMCG Industry In India Mainly Consists Of:



Household &
Personal Care



Healthcare



Food & Beverages

The FMCG sector in India is one of the country's largest and fastest-growing sectors that spans a wide range of products including packaged food, beverages, personal care products, and household goods.

High competition, ever-shifting consumer preferences, and a mix of international and domestic players make it a dynamic and fast-growing industry with boundless potential for growth and innovation.

Rise Of FMCG Industry



Rising
Disposable
Income



Rising Brand
Awareness



Rising youth
Population

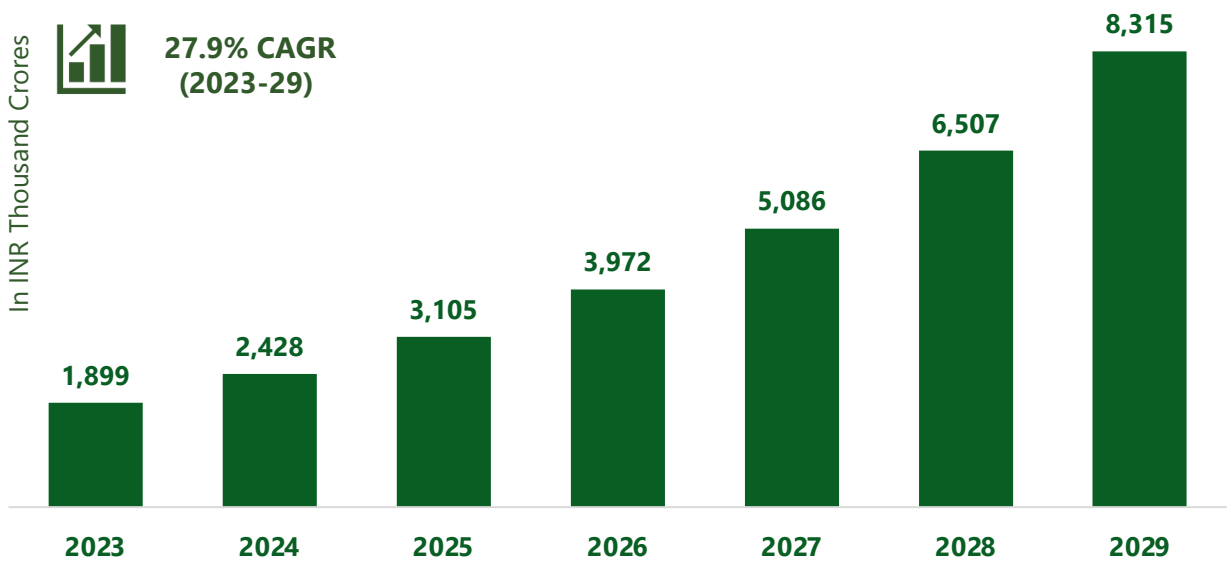
Being India's 4th largest sector in 2023, rising disposable income, a rising youth population, and rising brand awareness among consumers has led to its immense growth and prominence over the years.

Source: *FMCG Market, FMCG industry in India - IBEF*

Market Size & Growth Drivers

Market Size

- The Indian FMCG market is expected to increase at a CAGR of 27.9% to reach INR 8,315 thousand crores by 2029, from INR 1,899 thousand crores in 2023.



Source: 'Indian FMCG Market': www.maximizemarketresearch.com/fmcg-market

Growth Drivers

Growth of the Health and Wellness segment

Growing awareness regarding well-being has led to people becoming more watchful of what they buy. Organic, superfood-based, nutritious, natural products are in high demand due to this.

Rural Growth

Disposable income in rural India has increased because of the direct cash transfer scheme. Rural India accounts for more than 40% of consumption in major FMCG categories.

Personal Care Boom

During and post the pandemic, the personal care segment saw an uptick in sales. Google searches for face masks and hand wash swelled up during the outbreak but the increased demand for these products is here to stay.

Digital Shift

India's growing online userbase and deep smartphone penetration, will make online and digital marketing the frontrunners in converting passive consumers into active ones.

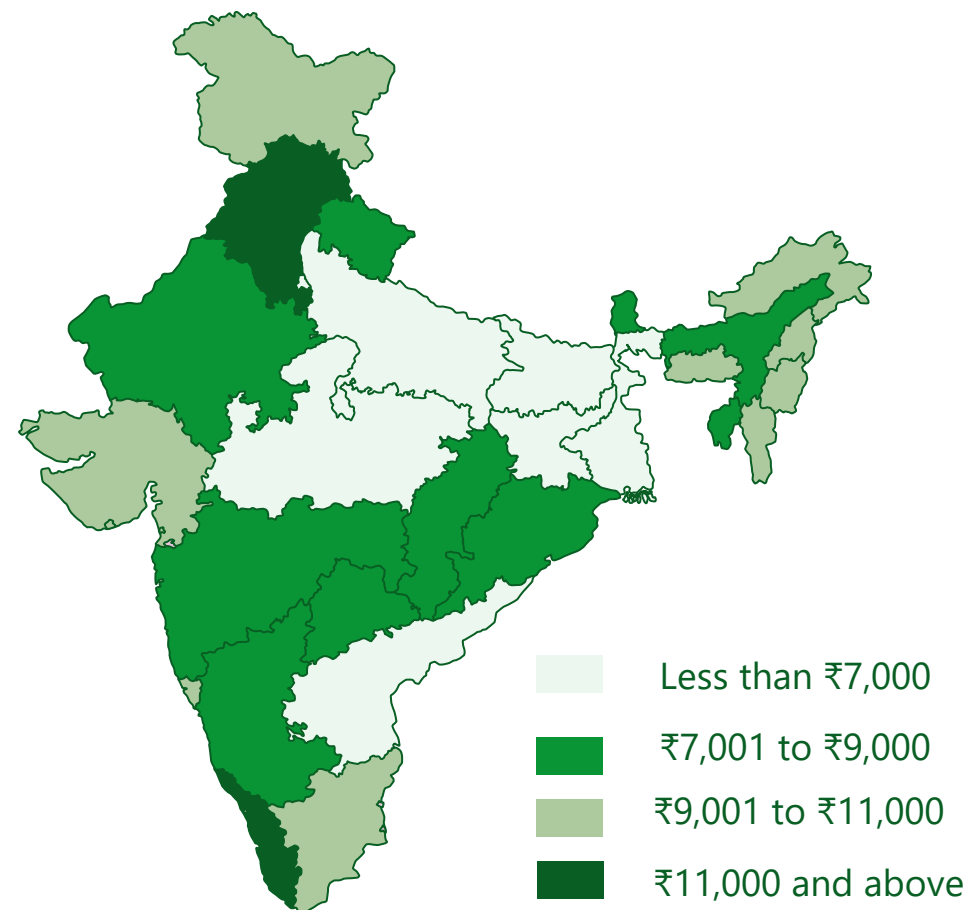
State Wise Income & Spending

State Wise Average Monthly Consumption Expenditure per Household (in Rupees) – FY23

Punjab and **Kerala** stood at the top end of the hierarchy with monthly expenditures exceeding ₹11,000. While **West Bengal, Uttar Pradesh, Odisha, Madhya Pradesh, Jharkhand, Chhattisgarh, and Andhra Pradesh** fared poorly with the monthly expenditure being lower than ₹6000.

Source: [Factsheet HCES 2022-23.pdf \(mospi.gov.in\)](#)

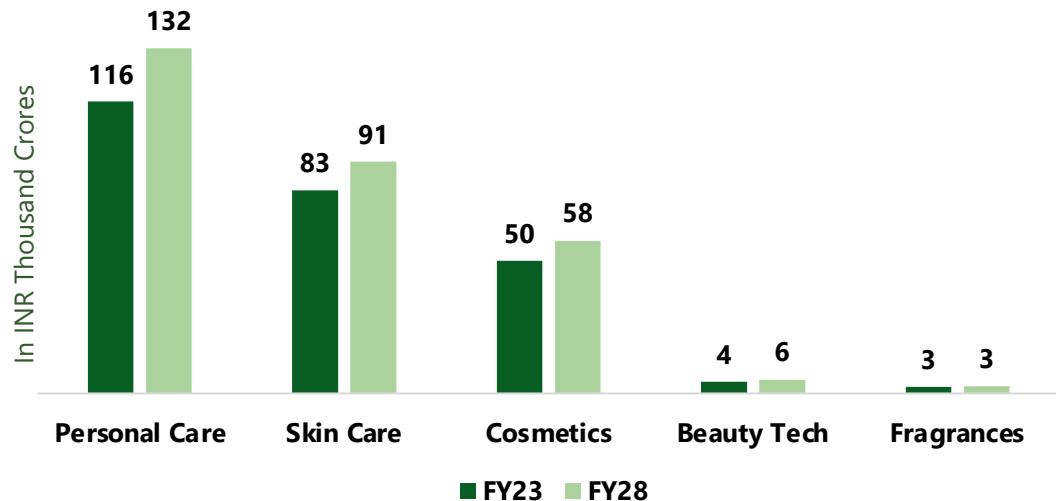
State Wise Average Monthly Income – FY23



Segment-wise FMCG Analysis

Household & Personal Care Industry In India

Personal Care Industry In India



This market is expected to witness an annual growth rate of 3% (CAGR 2023-2028). The largest segment within this market is the Personal Care segment.

The Beauty & Personal Care market is defined here as consumer goods for cosmetics and body care. Included are beauty cosmetics for the face, lips, skin care products, fragrances and personal care products such as hair care, deodorants and shaving products. Excluded are beauty services, such as hairdressers, professional products and electric personal care products.

Breakdown of Household Consumption Expenditure in India for FY23

Sector	Percentage
Food and non-alcoholic drink	33%
Misc. Goods and services	15%
Transport	14%
Water, gas and electricity	14%
Clothing	5%
Health	5%
Education	5%
Household equipment	2%
Communication	3%
Tobacco, alcoholics drinks	2%
Restaurants and hotels	1%
Culture and leisure	1%

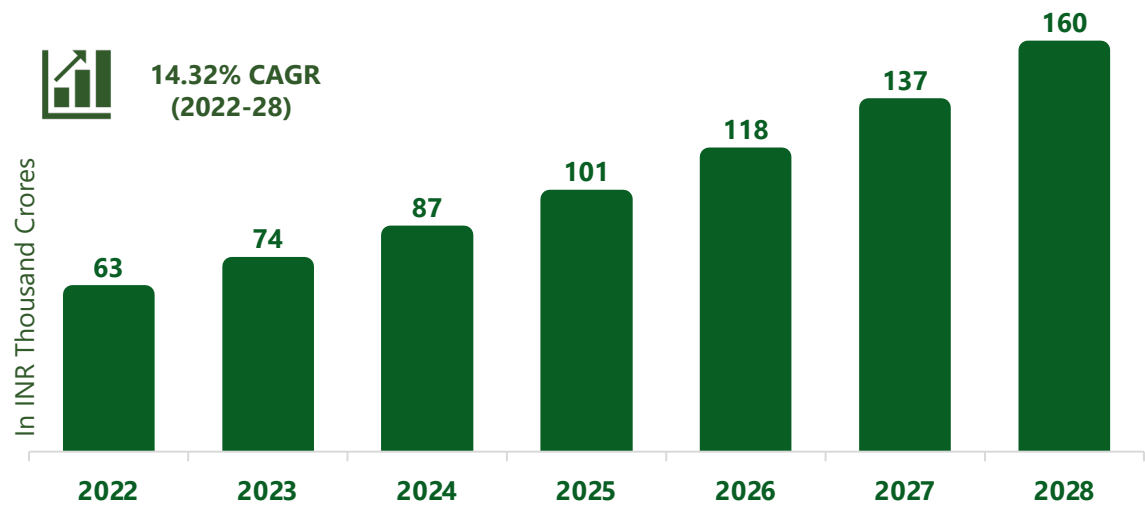
Source: Statista, Household Care In India

Source: <https://santandertrade.com/en/portal/analyse-markets/india/reaching-the-consumers>

Healthcare Industry In India

The healthcare segment of the FMCG industry mainly consists of Over-the-counter (OTC) products. OTC drugs are non-prescription drugs that can be consumed by individuals without requiring a prescription from a healthcare professional.

Indian OTC Drugs Market



Source: MARC Research

Market Drivers For OTC Drug Market



Growing geriatric population suffering from various diseases.



Prevalence of disease among the youth due to their everyday lifestyles.



The growth of e-pharmacies, fueled by digitalization and improved healthcare product access.

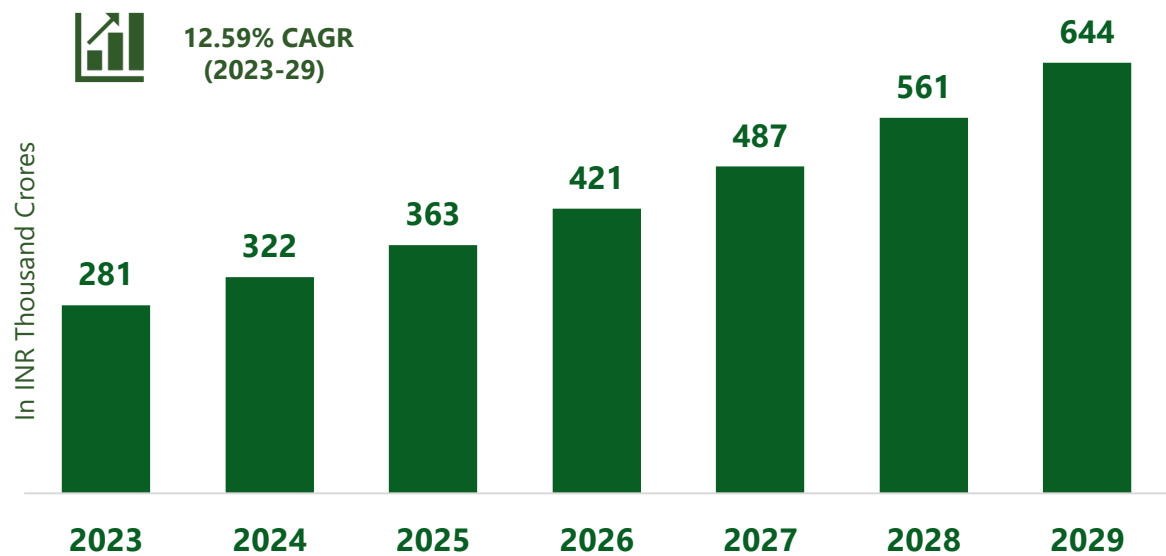


Easy availability, affordability, and increased awareness among patients.

Packaged Food Industry In India

The packaged food market in India is predicted to develop at a CAGR of 12.59% from 2023 to 2029, reaching a value of INR 644 Thousand crores by 2029

Indian Packaged Food Market



Source: India Business Trade

Growth Drivers



Growing size of middle-class population and Rising disposable income



Inclination of millennials toward the western lifestyle



Convenience, accessibility, and quality, with extended shelf life of products.



Internet penetration in rural areas, and technological breakthrough

Impact Of Covid 19 On FMCG Industry

Impact Of Covid 19



E-Commerce Boost

The e-commerce companies operating in the grocery segment saw an initial spike in demand as more people ordered online.



Focus On Digital Marketing

With more consumers buying FMCG products online, companies are shifting their marketing budgets towards digital channels. This includes investing in SEO, social media marketing, and online advertising.



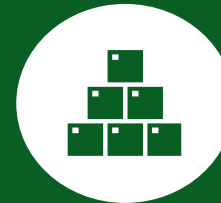
Better Inventory Management

Companies are using technology to manage their inventory better. This includes using RFID tags to track inventory levels and locations and predictive analytics to forecast future demand.



Health Consciousness

The demand for organic and natural ingredient infused food products increased at an exponential growth rate.



Shift In Supply Chain

The shift to online purchases has changed the FMCG supply chain. To meet the needs of online consumers, companies are investing in new technologies such as warehousing and fulfillment solutions.



Improved Logistics

Technology is also being used to improve the logistics and transportation of FMCG products. This includes using GPS tracking to optimize delivery routes and the use of drones and robots for last-mile delivery.

Source: MARC Research, Ollen Group

Mergers & Acquisitions Activities In FMCG Industry

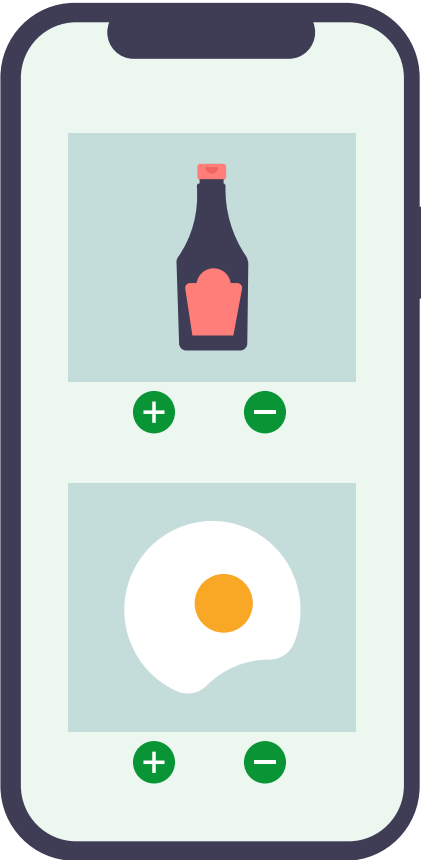
Mergers & Acquisitions Activity

Date	Acquirer	Acquiree	Deal Value (in INR Crore)	Deal details
Jan 2024	Tata Consumer Products (TCPL)	Organic India	157.9	TCPL will acquire 100% stake with an extra payout tied to the company's financial performance in FY26 for the shareholders.
Jan 2024	Tata Consumer Products (TCPL)	Capital Foods	423.9	TCPL is venturing into Desi-Chinese food segment by acquiring 75% of Capital Foods with the rest 25% to be purchased in 3 years.
May 2023	ITC	Sproutlife Foods	14.4	ITC acquired 2,443 Equity Shares and 7,215 Compulsorily Convertible Preference Shares, constituting a 39.42% shareholding.
April 2023	Godrej Consumer	Raymond's Consumer Care	231.5	Godrej Consumer acquired trademarks for Park Avenue (FMCG category), KS, KamaSutra, and Premium.
Jan 2023	Hindustan Unilever	Zywie Ventures Pvt Ltd.	21.8	Initial purchase of 51% shareholdings, followed by acquiring the rest 49% in the second stage, foraying into women's health and beauty supplements.

Source: MARC Research

Recent Trends In FMCG Industry

Key Figures To Consider



India's online shopper base is estimated to increase to **400–450 million** by **2027**. Most of these shoppers are already in the digital funnel. Presently, **530 million** people have used social media, out of which **230-250 million** have shopped online in **2023**, which is expected to increase significantly.

25 % of the total household expenditure in India comes from just **5%** of the households

Executives at supermarkets and online stores said 'natural' products have been flying off store shelves clocking **20-25%** year-on-year growth.

Percentage of buyers whose buying decisions were influenced by different attributes – FY23

66 – 77%

Natural Ingredients

66 – 77%

Not Tested On Animals

66 – 77%

Gluten Free

52 – 57%

Organic Ingredients

33 – 38%

Botanical Ingredients

31 – 35%

Free From Label Claims

Source: <https://datareportal.com/reports/digital-2023-india>

FMCG Industry – Trends To Look Out For

Online Retail

Online retail market in India is projected to reach **INR 27.4 Lakh Crores by 2030** from an estimated **INR 5.5 Lakh Crores in 2022**, due to rising online shoppers in the country. Online penetration of retail was **4.7% in 2019** which is expected to reach **10.7% by 2024**.

Disruption By Smaller Brands

There has been an increase in **Homegrown Brands** offering **chemical-free, all-natural FMCG segment**. This coupled with the **D2C model** adopted by some smaller brands brought them success rapidly.

Word-of-mouth

Unlimited access to the internet can easily lead to consumers being lost in choice. This leads to many shoppers choosing brands and making purchase decisions based on **word-of-mouth**.

Home Delivery

The **D2C model** helps manufacturers cut down on distribution costs and has attracted major players to set up **direct sales channels**, set up **multiple channels through digital platforms** and their own **websites**. **Doorstep delivery** has led to a shift in how customers buy products.

Sustainable Supply chains

The topic of climate change and the need for environmentally friendly practices has been a part of public discourse for decades, however, its impact on purchasing decisions is only just rising and starting to have a real impact on the FMCG market. Brands are also **shifting** their **business models** to be more **sustainable** and match these **consumer needs**.

Source: <https://www.ibef.org/industry/retail-India>

Competitor Analysis

Competitor Analysis

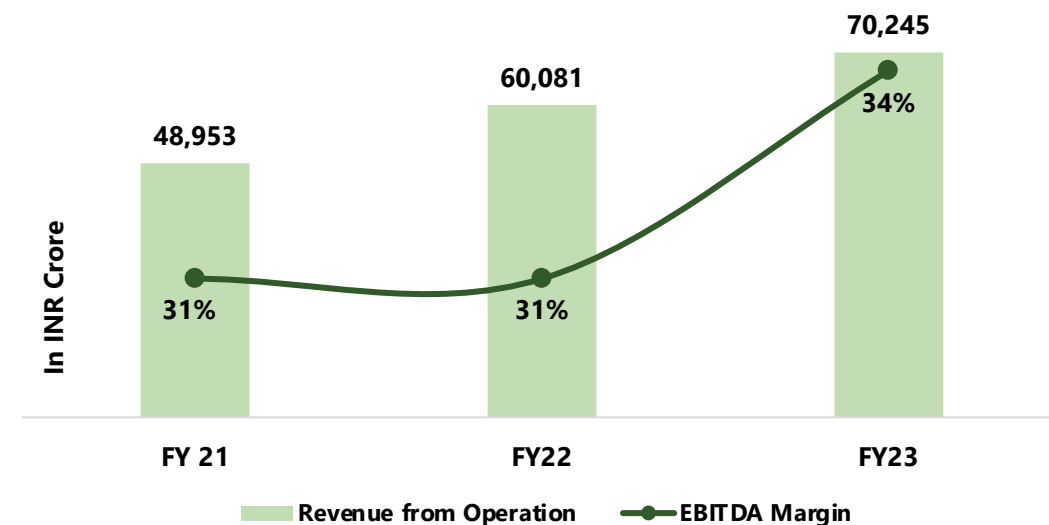
Financial Analysis Of Competitors – FY23

Particulars	ITC Ltd	Hindustan Unilever Ltd	TATA Consumer Products Ltd.	Godrej Consumer Products Ltd.	Dabur India Ltd	Colgate-Palmolive (India) Ltd.
Revenue (In INR Cr.)	75,827	60,580	13,660	13,199	11,427	2,079
Average Sales Growth (3years)	20%	14%	9%	10%	10%	15%
Core EBITDA Margin	34%	21%	15%	23%	18%	29%
Net Profit Margin	27%	17%	10%	13%	15%	22%
Average Profit Growth (3years)	21%	12%	17%	-0.45%	0.24%	36%
ROCE (3 Years average)	32%	20%	9%	19%	25%	121%
Interest Coverage Ratio	640%	129%	23%	15%	33%	328%
Current Ratio	2.89	1.41	2.12	1.76	1.18	1.07
Inventory Turnover ratio	1.84	4.73	1.68	2.47	2.22	18.09
EV/EBITDA	17	41	32	38	37	17

Financial Statements Analysis Of ITC Ltd

Profit & Loss Snapshot – ITC Ltd

PL Snapshot (ITC Ltd)			Actuals			% to Revenue		
Particulars	FY 21	FY22	FY23	FY 21	FY22	FY23		
Revenue from Operations	49,273	60,668	70,937	100%	100%	100%		
Total Income	49,273	60,668	70,937	100%	100%	100%		
Expenses								
Cost of Materials Consumed	13,940	16,400	20,276	28%	27%	29%		
Employee Benefits Expense	4,463	4,891	5,736	9%	8%	8%		
Purchase of Traded Goods	6,837	10,671	9,088	14%	18%	13%		
Other Expenses	7,040	8,048	10,171	14%	13%	14%		
Total Expenses	33,960	41,781	47,124	69%	69%	66%		
EBITDA	15,313	18,887	23,813	31%	31%	34%		
Finance Costs	43	39	45	0%	0%	0%		
Depreciation	1,646	1,732	1,809	3%	3%	3%		
Other Income	2,633	1,836	1,980	5%	3%	3%		
EBT	16,256	18,951	23,940	33%	31%	34%		

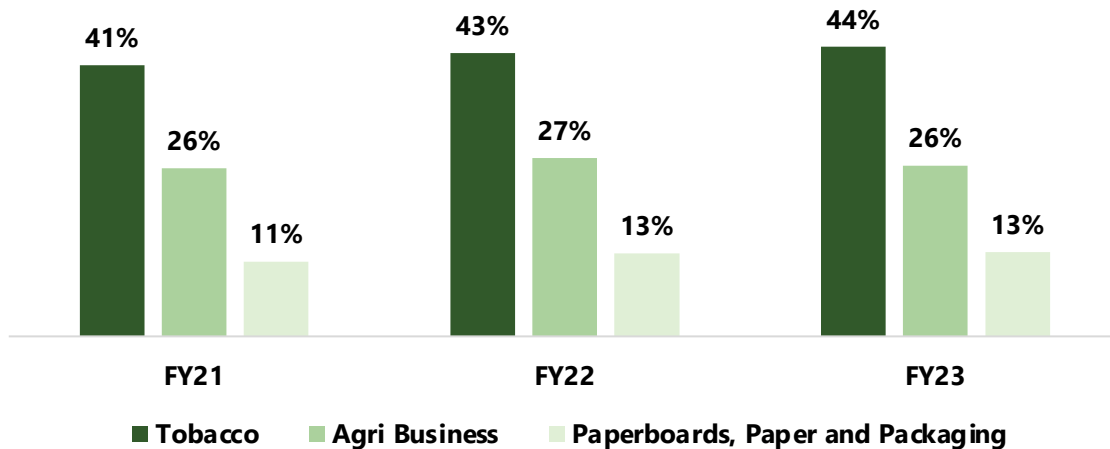


The company's EBITDA margin increased to 34% in FY23 from 31% in FY21 even though a major expense head, that is cost of materials consumed as a % to revenue increased from 28% in FY21 to 29% in FY23, owing to a reduction in purchase of traded goods.

- Cost of materials consumed constitutes a major expense head. On YoY basis it has been witnessing an increasing trend from comprising 28% of revenue in FY21 to 27% in FY22 and it further increased in FY23 and stood at 29%. However, purchase of traded goods were reduced in the period resulting to an improvement in EBITDA.
- Employee benefit expenses and Other expenses as a % to revenue have remained constant YoY, comprising 8% and 14% of revenue, respectively in FY23.
- The EBITDA margin showed an improvement YoY to 34%.

Key Metrics (1/2) – ITC Ltd

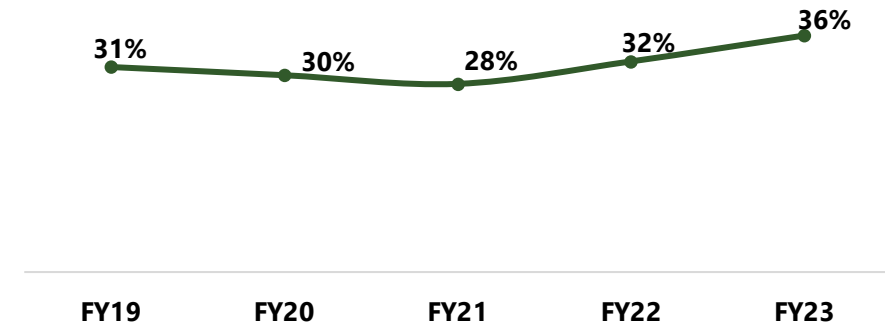
Segment-wise Revenue & EBIT Analysis



ITC Ltd Company's produces products that cater to 3 major segments –Tobacco, Agri Business & Paperboards, Paper and Packaging.

- Tobacco segment has been observed to generate the highest gross revenue in FY23, increasing from 43% to 44% YoY basis.
- Agri Business segment consistently comprised around 26% of total revenue from FY21 to FY23.
- Paperboards, Paper and Packaging. segment's share of total revenue increased from 11% in FY21 to 13% in FY23.

ROCE

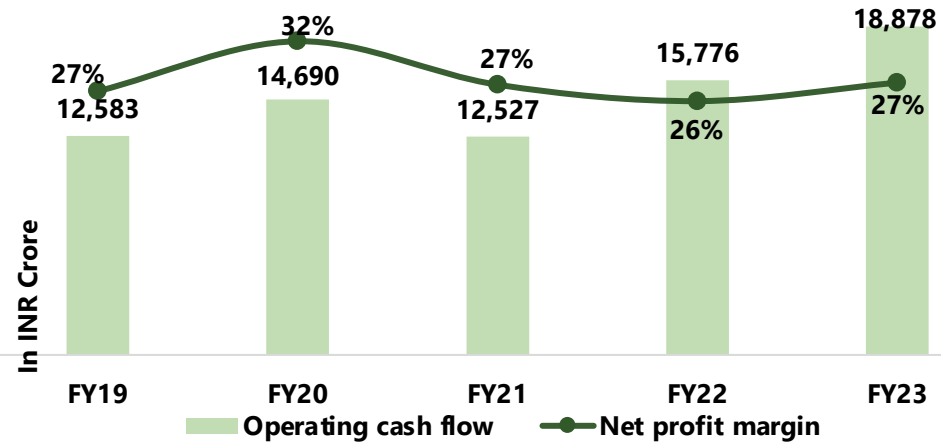


ROCE shows the relationship between a company's operating profit and capital employed and can be used to assess a company's profitability and capital efficiency.

- From FY19 to FY23, ITC Ltd company witnessed an increase in its ROCE from 31% in FY19 to 36% in FY23, thus indicated better profitability and capital efficiency.

Key Metrics(2/2) – ITC Ltd

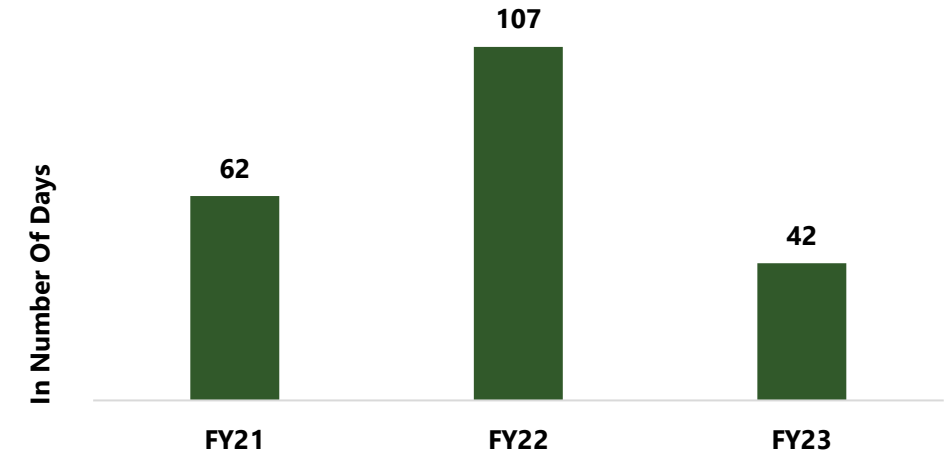
Operating Cash Flow



Operating Cash Flow is a measure of the amount of cash generated from a company's normal business operation.

- ITC Ltd Company's Operating cash flow has been witnessing an increasing trend from INR 12,583 in FY19 to INR 18,878 in FY23. This indicates that the company is generating sufficient funds to maintain and grow its operations.
- In FY22, Net Profit margin increased to 27, while operating cash flow amounted to INR 18,878 Cr, an increase of 20% YoY basis.

Cash Conversion Cycle



The Cash Conversion Cycle (CCC) is a metric used to determine how many days it takes a company to convert the cash it spends on inventory back into cash by selling its products.

- The average CCC across the FMCG industry is around 40 days, therefore in FY23 the company is reaching closer towards the industry average.



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