



## FMCG Industry optimistic to register 13% growth in FY11: Survey-

Notwithstanding the moderate downswing in the second quarter of current fiscal, the fast moving consumer goods (FMCG) industry is "optimistic to record higher growth" of 13 per cent in FY11 with factors including expected fall in commodity prices and increased consumer spending, according to CII FMCG survey release. The Survey covered about 30 FMCG items belonging to personal care products, cosmetics and toiletries and household care products. "FMCG is the sector which has helped the Indian economy to emerge speedily from the impact of the global recession. Though rising food inflation and high input costs have hurt the FMCG sector in the first half of the financial year 2010-11, the industry is optimistic about its performance during the full year," Director General Chandrajit Banerjee said.

The FMCG sector has registered a growth of 11.4 per cent in the first quarter of 2010-11 as compared to a growth rate of 12.0 per cent in 2009-10. However, during the second quarter, the sector has recorded drop in growth rate to 11.0 per cent due to increase in costs of various inputs such as petroleum products and packaging materials and food inflation.

But the industry is optimistic to maintain higher growth at 13.0 per cent in the fiscal year as **agriculture prices are expected to cool down on the back of a good monsoon**. The **festive season spread over the second half of the year** would also lead to **more consumers spending spurred by the recent hike in the salaries of employees**.

The positive growth drivers are FMCG companies focused **initiatives and strategies including merger and acquisition, overseas expansion, new product innovations and launches with smaller sachets to tap vast niche segment, aggressive rural market penetration to cater to rising rural demand**.

Other factors that will lead to higher growth of the sector include **growing economic fundamentals with changing lifestyles and preferences for branded products, continuance of the bail-out packages more or less with reduced tax incidence, improved incomes and the pay hikes of the government employees, increasing income earning young population, rapid urbanization and increased allocation for rural development schemes** like NREGA and Bharat Nirman.

However, some constraints faced by the FMCG sector are fake or counterfeit products, rising input cost including high cost of raw materials, increase in packaging cost and higher logistics cost due to fuel price increase, lack of proper infrastructure and logistics, multiple taxes and absence of FDI into multi-brand retail. Some constraints in projected growth may be raising input cost, increasing inflation, fake products and growing imported product market etc.

Pro-active government action is needed in the form of early implementation of GST, strict monitoring and controlling of prices, enforcement of copyrights and facilitating better infrastructure facilities. All these steps are vital to achieve lower cost, improved quality and better performance in the competitive environment.

The sectors which are projected to achieve growth during April-March 2010-11 over April-March 2009-10 are:

**Excellent growth of above 20%:**

Product Name	Projected Growth in April-March 2010-11 (in %)	Growth achieved in April-March 2009-10 (in %)
Deodorant	41.50	40.00
Anti ageing cream	30.50	30.00
Tooth paste	22.00	20.00
Skin and fairness cream	18.00	16.00
Men's fairness product	32.00	32.00
Hair colorants/dies	22.00	21.00
Cleaners and repellents	23.00	22.00
Feminine hygiene	22.00	20.00
Baby diapers	21.00	20.00
Dish wash	27.00	26.00

**High growth of 10%-20%:**

Product Name	Projected Growth in April-March 2010-11 (in %)	Growth achieved in April-March 2009-10 (in %)
Detergent powder	16.00	15.00
Washing cakes	13.00	13.00
Toilet soaps	16.00	15.00
Tooth brush	13.00	13.00
Fairness cream	18.00	16.00
Men's hair grooming and styling	20.00	18.00
Branded coconut oil	10.00	10.00
Shampoos	12.00	9.80
Baby care	17.00	17.00
Skincare	15.00	15.00

**Moderate growth of 0 to 10%:**

Product Name	Projected Growth in April-March 2010-11 (in %)	Growth achieved in April-March 2009-10 (in %)
Toothpowder	1.80	2.00
Liquid soaps	7.00	6.00
Shaving products	8.00	7.00
Coconut oil	2.00	2.00

**Company and its Product details-**

Company	Products
<b>Marico Ltd.</b>	Hair oil, shampoo, shower gel, instant starch, soap, Men's hair cream, detergent.
<b>Hindustan Uniliver Ltd</b>	Soap, deodorant, cream, shampoo, cosmetics, toothpaste, fairness cream, anti aging cream, kitchen cleaners, washing cake, fabric conditioner. men's fairness cream.
<b>Emami Ltd</b>	Cream, deodorant, anti aging cream, men's hair grooming and styling, talc, men's fairness cream, hair oil, skincare.
<b>ITC Ltd</b>	Soap, shampoo, fairness cream.
<b>Dabur India Ltd.</b>	Hair oil, shampoo, skin care, tooth paste, tooth powder, floor cleaner, repellent, room freshener, washing cake, tooth brush, baby care.
<b>Colgate Palmolive (India) Limited</b>	Toothpaste, toothbrush, tooth powder, liquid soap, shaving products, skin care, shampoo, dish washing paste.
<b>Procter &amp; Gamble Hygiene and Health Care Limited</b>	Detergent, washing cake, shampoo, baby care, feminine hygiene, toothbrush, shaving products.
<b>Godrej Consumer Products Limited</b>	Soap, talc, hair colour, hair oil, shaving products, dish washer, baby care, deodorant.
<b>HENKEL INDIA LTD.</b>	Toothpaste. Deodorant.
<b>TTK Healthcare Limited</b>	Deodorant, Baby care, talc, men's fairness cream, soap.
<b>Amar Remedies ltd.</b>	Toothpaste, talc, Toothbrush, soap, shaving products.
<b>Elder Healthcare</b>	Toothbrush, deodorant, Fairness cream, hair color, cream, skin care, hair care, baby care (recently entered into baby care segment).
<b>Bajaj Corp</b>	Hair oil.

<b>Gillette India</b>	Shaving products.
<b>Jyothy Laboratories</b>	Detergent, soap, repellent, dish washer.

**Financial details of Personal Care segment players-**

Company	CMP (in Rs)	Company sales in % of industry sales*	P/E Ratio	Dividend Yield (in %)
Hind. Unilever	303	43.87	32	2.13
Dabur India	97	8.13	38	1.03
Marico	140	6.34	34	0.48
Godrej Consumer	423	4.96	38	0.91
Colgate-Palm.	876	4.82	26	2.31
Emami	487	2.47	33	0.63
P & G Hygiene	1976	2.18	40	1.13
Gillette India	1870	2.05	43	0.80
Henkel India	61	1.21	111	0.00
Amar Remedies	157	1.12	12	0.63
Bajaj Corp	590	0.79	20	5.26
J L Morison	335	0.19	0	0.30
Unique Organics	12	0.13	10	0.00
GKB Ophthalmics	61	0.09	15	1.98
Paramount Cosmet	32	0.07	14	0.00
JHS Sven.Lab.	115	0.07	20	0.19
Ador Multi Prod.	36	0.03	24	2.72

\*This represents sales of the company/Total sales of personal care industry.

**Conclusion:** Above companies are involved into the segments, which are forecasted to be active in second half of the financial year FY10-11. One can include above stocks in the portfolio to get good returns.

Source: CII FMCG survey report & Arihant research.

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