

Early signs of weak monsoon impact



Anuj Bansal >>
Research Analyst
DSP Merrill Lynch (India)
anuj_bansal@ml.com

+91 22 6632 8690

FMCG sales grow 12.7% in July, much below trend

July sales growth of 12.7% is lower than the last six month trend of high-teens growth. Most companies showed a MoM decline. We believe this could be early indication of a weak monsoon impacting top-line growth for FMCG and we will watch out for the sales growth trend in coming months. Tata Tea, Godrej and P&G continue to do well. Nestle, Colgate, Marico and Dabur showed average performance. HUL, Nirma and Britannia disappointed with mid-to-low-single-digit growth in July.

HUL - Sales gr slows down further to 7% vs. 13% over last yr

Initiatives taken by HUL to improve sales growth are yet to show positive results, as sales declined for fourth straight month. Volume growth remains negative for Soaps, Laundry, Toothpaste, Tea and Coffee. Fastest-growing categories in terms of value growth were Laundry, Skin Care and Shampoos, while Tea and Ketchups had single-digit growth. Sales declined in July for Soaps, Coffee and Toothpaste.

HUL - Market share trend was a mixed bag

July was a mixed bag, with Laundry, Shampoos, Tea and Ketchups showing gains, while Soaps, Toothpaste, Skin Care and Coffee continued to lose market share. Over last one year, HUL has lost market share across all key categories – Soaps (570bps), Detergents (210bps), Shampoos (10bps), Toothpaste (220bps), Skin Care (420bps), Tea (260bps), Coffee (770bps) and Ketchups (160bps). We believe volume gr and market share recovery will be slow and expensive for HUL.

Nestle - sales growth weakens sharply

Sales growth decline continued for Nestle and growth in July was 12%. This is significantly lower than AC Nielsen reported YTD sales growth. Market shares showed mixed trends with gains in Coffee and Chocolates, while Noodles and Ketchups lost share. The trend over the last 12 months has been negative, with gains in Coffee, but declines in Chocolates, Noodles and Ketchups.

Colgate - sales gr holds up, with mixed market share trends

July sales grew 10%. Colgate was one of the two companies to show MoM improvement in sales gr. Market share trends were mixed with Toothpaste gaining 30bps but Toothbrush lost 40bps and Toothpowder lost 90bps in July. Toothpaste is running at all-time-high market share and further improvement looks difficult.

Dabur - sales gr stable, with positive market share trends

July sales grew 10%, marginally lower than growth reported by AC Nielsen for last one year. Market shares improved for Shampoos and Toothpaste, but there were declines in Toothpowder and Chyawanprash. Over the last one year, Dabur has gained market share in Toothpaste (90bps) and Shampoos (90bps), but lost shares in Chyawanprash (470bps) and Toothpowder (130bps).

Table 1: Market Share trends

	Jul-08	Nov-08	Mar-09	Jul-09
HUL				
- Soaps	50.3	49.8	47.4	44.6
- Detergents	39.4	39.9	36.7	37.3
- Shampoo	45.8	45.9	44.9	45.6
- Toothpaste	29.6	28.8	27.8	27.4
- Skincare	51.8	50.9	46.6	47.6
- Tea	24.6	24.0	22.9	22.0
P&G				
- Detergents	15.6	14.5	14.0	14.5
- Shampoo	24.7	23.9	24.8	23.7
Godrej Cons.				
- Soaps	9.6	9.4	9.6	10.4
Dabur				
- Toothpaste	9.0	9.3	9.7	10.0
- Shampoo	5.6	5.7	5.7	6.5
- Ch'prash	61.9	61.1	59.3	57.2
Nestle				
- Coffee	37.4	43.3	42.0	42.9
- Chocolates	25.2	23.1	24.5	24.8
Colgate				
- Toothpaste	48.0	48.6	49.2	50.0
- Toothpowder	45.3	45.8	45.5	44.1
Tata Tea				
- Tea	20.9	21.9	22.1	21.1

Source: AC Nielsen

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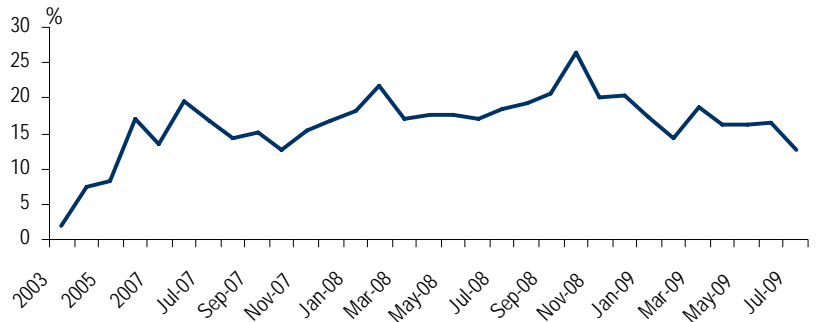
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Sales Growth Trends

Chart 1: FMCG Sales Growth Trends

Total sales growth came in at 12.7%, much below the mid-to-high-teens growth rate reported over last few months. We believe this could be early indication of a weak monsoon impacting sales growth in FMCG. We need to watch out for sales growth trends in coming months to confirm the impact.

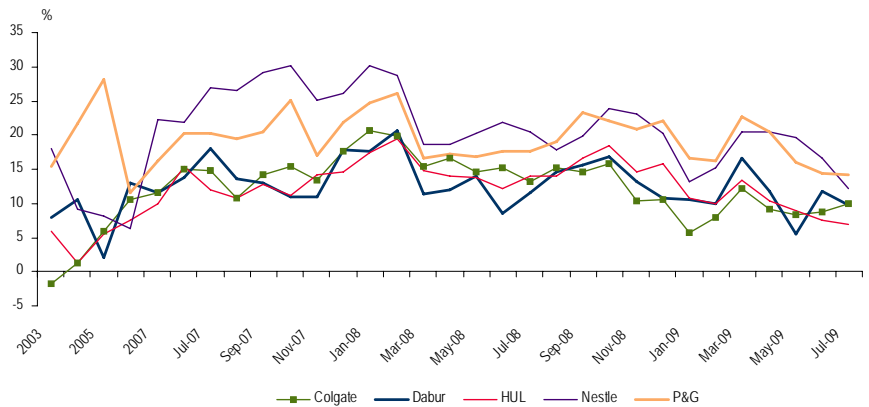


Source: AC Nielsen

Sales growth (%) in July 2009 - Weakness for most companies

- Tata Tea - 22.5
- Godrej - 16.8
- P&G - 14.2
- Nestle - 12.2
- Colgate - 9.9
- Dabur - 9.8
- Marico - 8.9
- HUL - 6.9

Chart 2: Company Sales Growth Trend

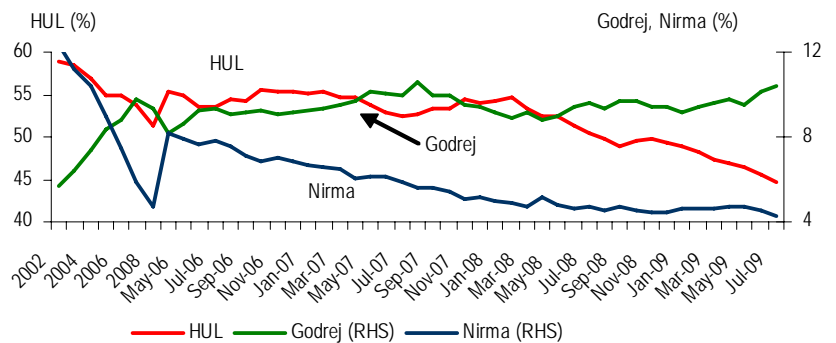


Source: AC Nielsen

Market Share Trend

Chart 3: Soaps market share trends

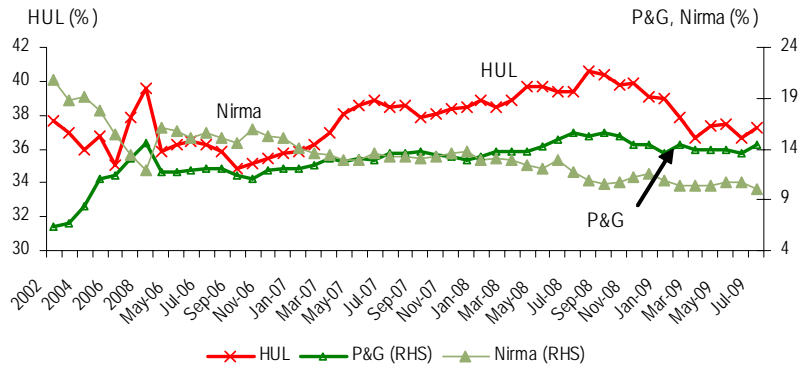
HUL continues to lose market share, with a 90bps decline in July. Overall, it has lost 570bps sine July'08. Godrej gained 30bps in July, taking up its overall gain since July'08 to 80bps. HUL continues to suffer from steep price increases it took during 2HCY08. Godrej did not match these price hikes and gained from the price differential created by this.



Source: AC Nielsen

Chart 4: Detergents Market Share Trend

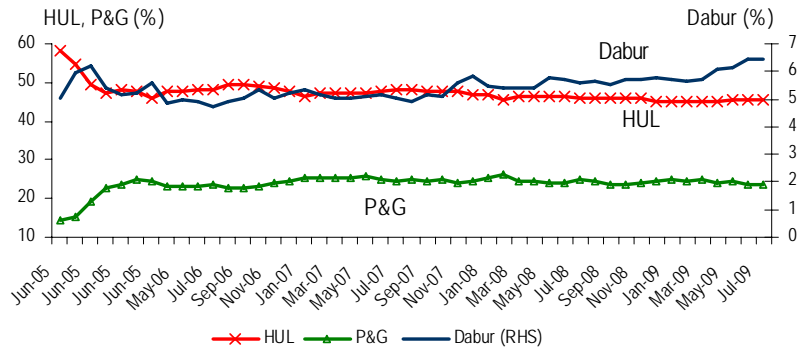
HUL gained 60bps market share in July and P&G gained 100bps, with Nirma losing 70bps. Overall, P&G has come off from its peak market share of Jul'08, and has lost 110bps since. For HUL, it has seen a declining trend, with 210bps market share loss in last 12 months.



Source: AC Nielsen

Chart 5: Shampoos Market Share Trend

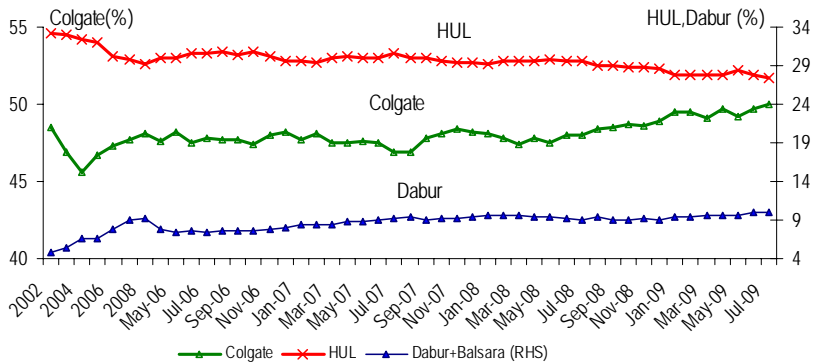
HUL gained 20bps, while P&G and Dabur remained flat in July. HUL (10bps) has lost market share since July'08, with Dabur gaining 90bps and P&G losing 100bps.



Source: AC Nielsen

Chart 6: Toothpaste Market Share Trend

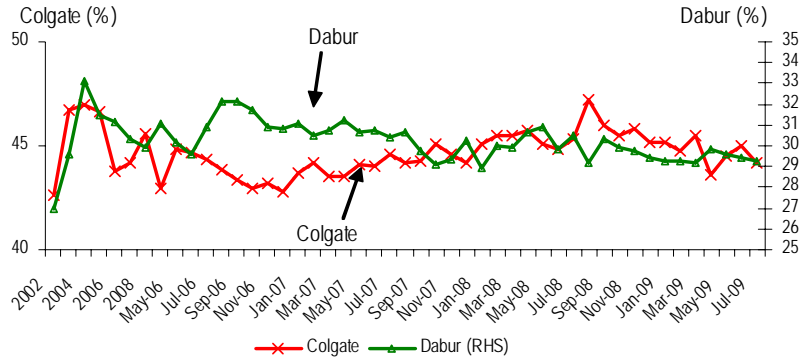
Colgate gained 30bps in July. In an impressive run since July'08, it has gained 200bps market share. Dabur gained 10bps in July, taking up its last 12-month gains to an impressive 90bps. HUL continued to lose share and was down 40bps in July. Its longer-term performance has been disappointing, with a 220bps decline since July'08.



Source: AC Nielsen

Colgate lost 90bps and Dabur lost 20bps in July. In the longer term, Colgate has lost 120bps and Dabur has lost 130bps since July'08. Overall, the category itself is facing problems, as rural consumers are migrating from toothpouders to low-cost toothpastes.

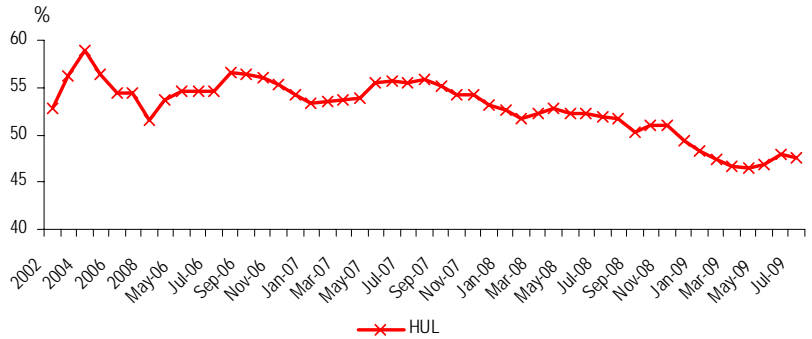
Chart 7: Toothpowder Market Share Trend



Source: AC Nielsen

HUL lost 30bps in July, reversing the recovery trend of last month. Overall, in a largely negative trend, HUL has lost 420bps since July'08.

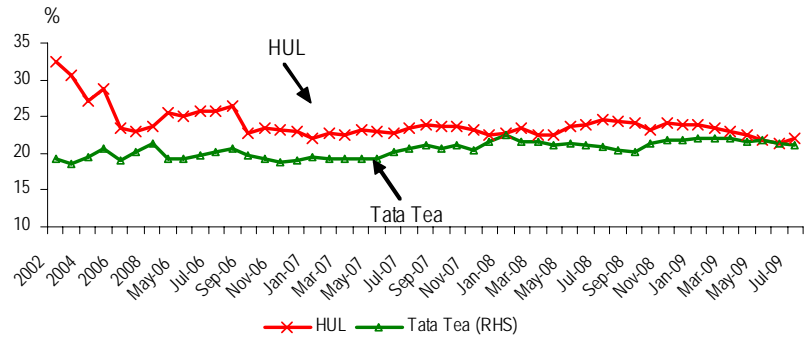
Chart 8: Skincare Market Share Trend



Source: AC Nielsen

HUL gained 80bps, while Tata Tea lost 30bps market share in July. However, in the longer run, HUL has now lost 260bps since July'08. Tata Tea, on the other hand, has done well, with a 20bps gain over the same period.

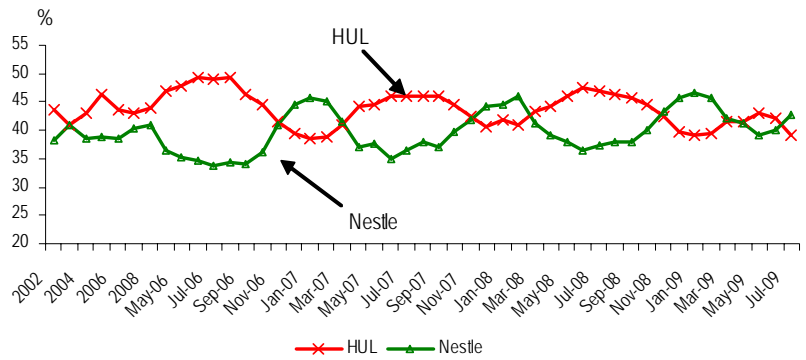
Chart 9: Tea Market Share Trend



Source: AC Nielsen

HUL lost 330bps in July, continuing losses from last month. With this, HUL has now lost a massive 770bps in last 12 months. HUL's volume growth in the category has been weak, which is responsible for loss of market share. Nestle had a gain of 300bps in July, improving its last 12-months performance, which stands with a gain of 540bps.

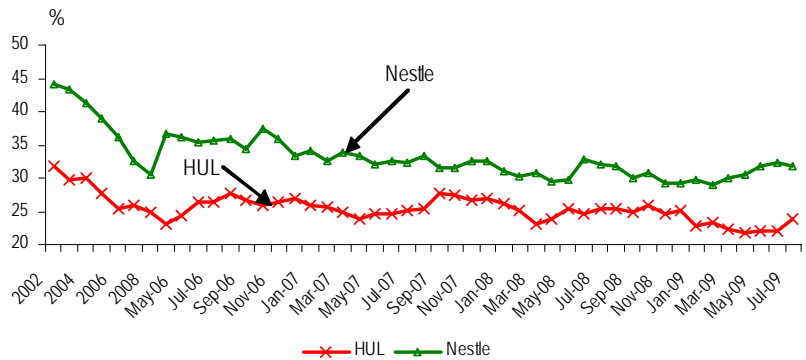
Chart 10: Coffee Market Share Trend



Source: AC Nielsen

Nestle lost 50bps in July and HUL gained 170bps. However, in the longer run, both Nestle and HUL have done poorly. Nestle has lost 40bps and HUL has lost 160bps in last 12 months.

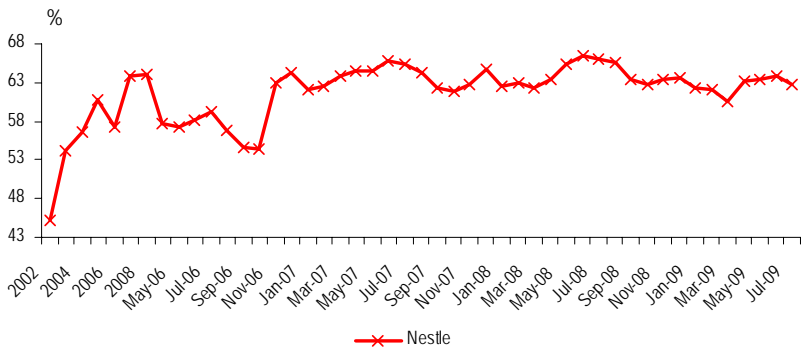
Chart 11: Ketchup Market Share Trend



Source: AC Nielsen

Nestle lost 110bps in July, a fall after three months of recovery. With this loss, Nestle has now lost 320bps since July'08.

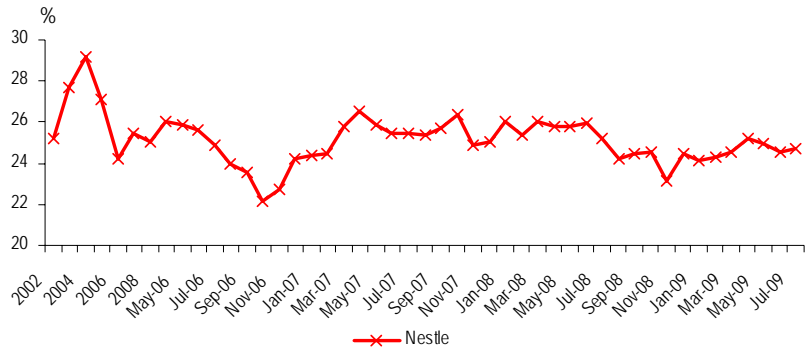
Chart 12: Noodles Market Share Trend



Source: AC Nielsen

Nestle gained 20bps in July. It has been a volatile trend over last couple of years. However, there appears to be a structural downward bias to this trend. Nestle has lost 50bps in last 12months.

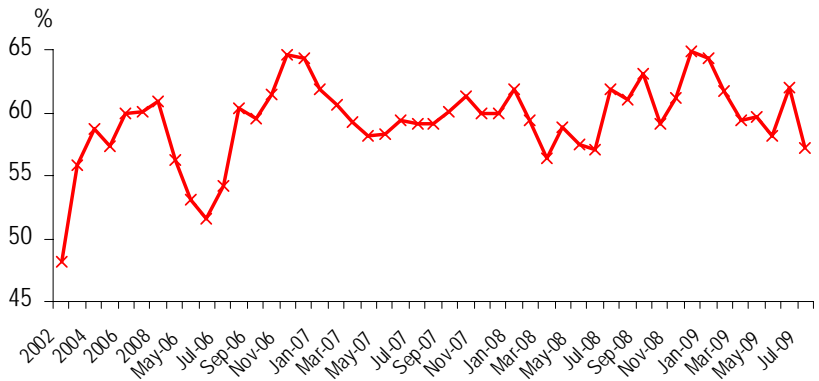
Chart 13: Chocolates Market Share Trend



Source: AC Nielsen

Dabur lost a massive 480bps in July and gave up all the gains of last month. This is in line with Dabur's trend of losing market share during the off-season, when the lower-cost alternatives perform better. Over the last 12months, Dabur has lost 470bps in this category.

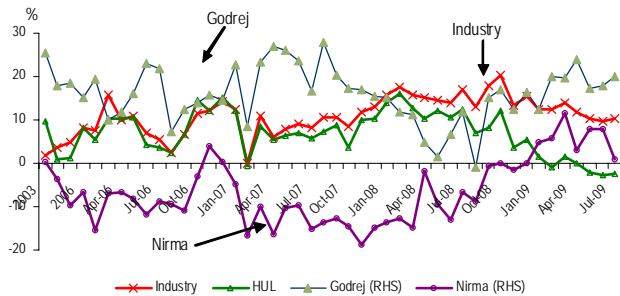
Chart 14: Chyawanprash Market Share Trend



Source: AC Nielsen

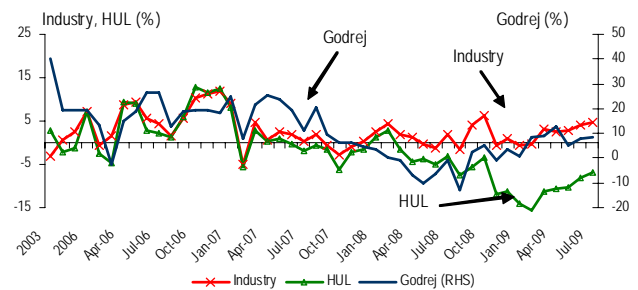
Category Growth Trend (Y-o-Y)

Chart 15: Soaps Value Growth Trend



Source: AC Nielsen

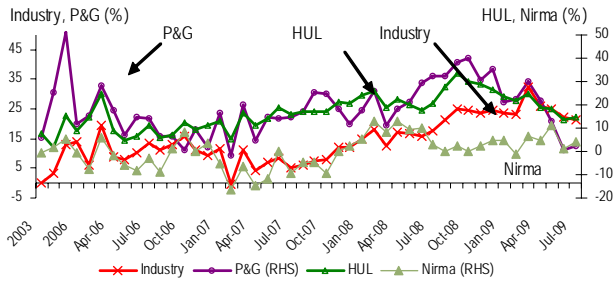
Chart 16: Soaps Volume Growth Trend



Source: AC Nielsen

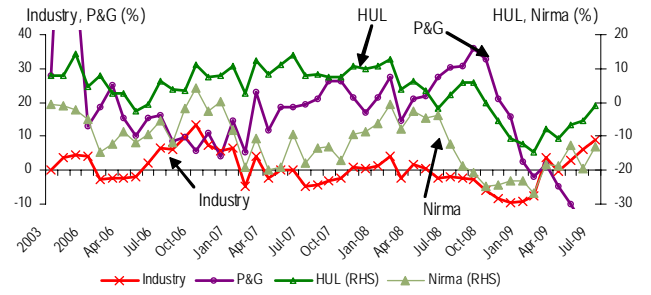
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Chart 17: Detergents Value Growth Trend



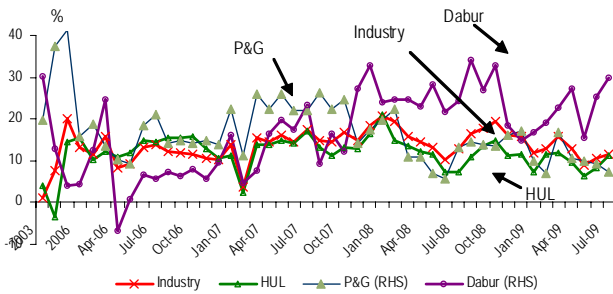
Source: AC Nielsen

Chart 18: Detergents Volume Growth Trend



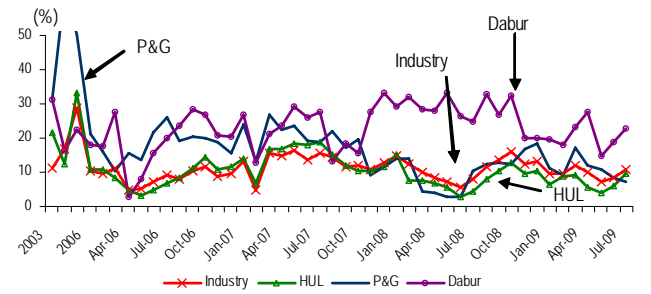
Source: AC Nielsen

Chart 19: Shampoo Value Growth Trend



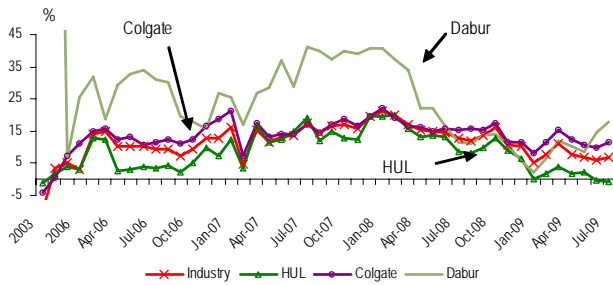
Source: AC Nielsen

Chart 20: Shampoo Volume Growth Trend



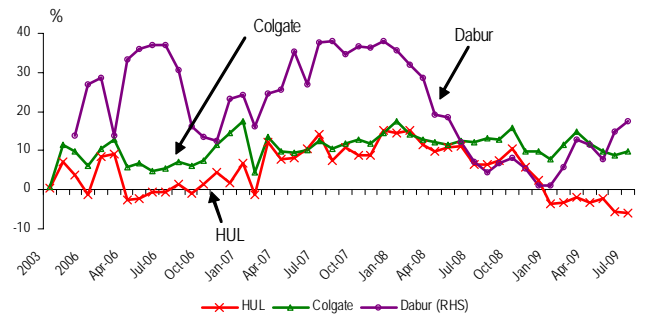
Source: AC Nielsen

Chart 21: Toothpaste Value Growth Trend



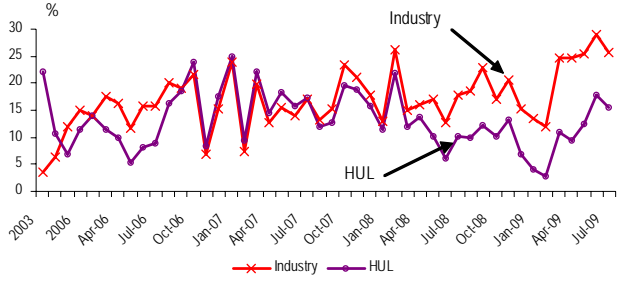
Source: AC Nielsen

Chart 22: Toothpaste Volume Growth Trend



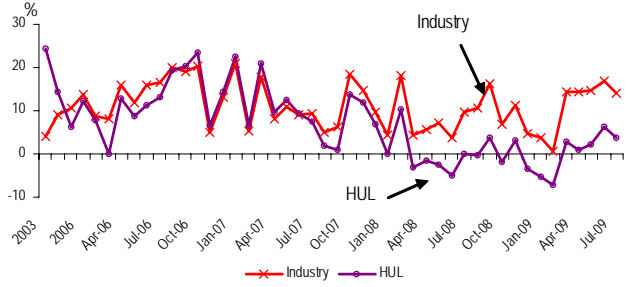
Source: AC Nielsen

Chart 23: Skincare Value Growth Trend



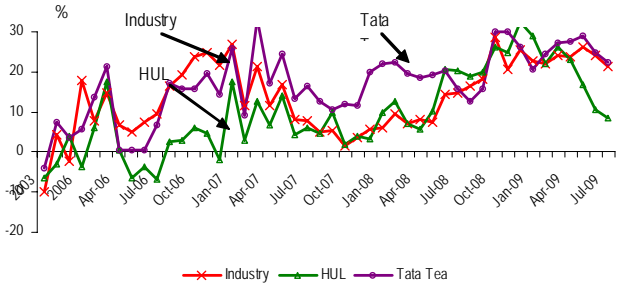
Source: AC Nielsen

Chart 24: Skincare Volume Growth Trend



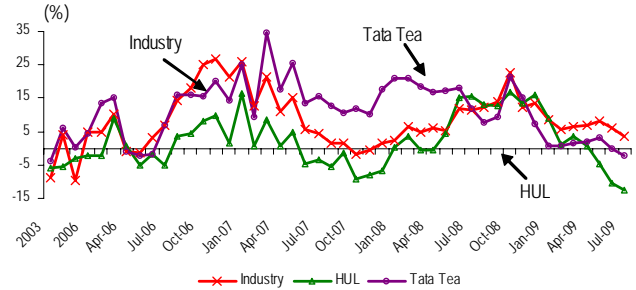
Source: AC Nielsen

Chart 25: Tea Value Growth Trend



Source: AC Nielsen

Chart 26: Tea Volume Growth Trend



Source: AC Nielsen

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