

# FMCG sales growth surges; sustainability is the key

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## FMCG sales growth came down to ~14% in April

Total sales growth came in at 14% - highest in last eight months. Volume growth acceleration across most categories is the trigger for this sharp pick-up in growth. **This is against the run of play, given food inflation is still high and it is too early for the normal monsoon outlook to make an impact. We would wait and watch how the trend moves over the next couple of months.** We maintain our view of a strong recovery in growth in 2HCY10, led by price hikes, higher volume growth as food inflation subsides, and a normal monsoon supporting rural growth.

## HUL - Sales growth turns positive as volume growth picks up

HUL saw sales growth of ~4% after four months of decline. Pick up in volume growth was the key driver. Barring Tea & Coffee, all other categories had positive growth. Detergents continue to do well with 24% volume growth. This reflected in value growth as well, with an across-the-board improvement, as only Coffee is still witnessing decline. We await sustainability of this trend before revisiting our view.

## HUL - Market share trend still a mixed bag

Though sales growth picked up for HUL, it failed to beat market growth, as market shares did not show much improvement. Declines were seen in Soaps, Laundry and Toothpaste, with slight gains in Skin Care. However, gains in Shampoos, Tea, Coffee and Ketchups were healthy. On a long-term basis though, market shares are still lower across most categories vs. their last year levels. Unless HUL consistently outperforms market growth, a sustained market share gain is difficult.

## Nestle - sales growth steady with market share gains

Sales growth revived to 14% in April. Market shares went up for Noodles, Ketchups and Chocolates, with Coffee continuing its steep decline. However, the trend over the last year has been the reverse, with only coffee recording gains.

## Colgate - Sales growth up strongly with market share gains

Mar. sales grew 13%, one of the highest over last 18 months. Market shares went up across all three key categories of Toothpaste, Toothbrush and Toothpowder. Colgate has done well, with 140bp margin gains in Toothpaste and Toothpowder over the last one year, driven by expansion of rural reach and low-price SKUs.

## Dabur - Sales growth remains weak; Market shares mixed

Despite recovery, sales growth remained weak at 8%. Market shares were largely neg, with losses in Shampoos, Toothpowder and Chyawanprash, and gain in Toothpaste. Overall trend over the last one year has been positive, with share gains in Toothpaste, Toothpowder and Chyawanprash, and losses in Shampoos.

Table 1: Market Share trends

|                     | Apr-09 | Aug-09 | Dec-09 | Apr-10 |
|---------------------|--------|--------|--------|--------|
| <b>HUL</b>          |        |        |        |        |
| - Soaps             | 47.0   | 44.5   | 44.8   | 43.8   |
| - Detergents        | 37.4   | 36.2   | 36.7   | 36.8   |
| - Shampoo           | 45.3   | 45.6   | 45.1   | 46.9   |
| - Toothpaste        | 27.9   | 27.1   | 25.9   | 25.7   |
| - Skincare          | 46.5   | 46.4   | 47.4   | 45.4   |
| - Tea               | 22.4   | 22.3   | 20.7   | 21.0   |
| <b>P&amp;G</b>      |        |        |        |        |
| - Detergents        | 13.9   | 14.7   | 14.1   | 14.6   |
| - Shampoo           | 24.1   | 23.3   | 24.4   | 22.6   |
| <b>Godrej Cons.</b> |        |        |        |        |
| - Soaps             | 9.8    | 10.7   | 10.1   | 10.5   |
| <b>Dabur</b>        |        |        |        |        |
| - Toothpaste        | 9.6    | 10.1   | 10.5   | 10.6   |
| - Shampoo           | 6.1    | 6.4    | 5.9    | 5.5    |
| - Ch'wanprash       | 59.6   | 64.2   | 62.5   | 60.9   |
| <b>Nestle</b>       |        |        |        |        |
| - Coffee            | 41.1   | 40.9   | 49.2   | 41.8   |
| - Chocolates        | 25.2   | 25.0   | 24.7   | 25.2   |
| - Noodles           | 63.1   | 59.6   | 61.5   | 62.2   |
| <b>Colgate</b>      |        |        |        |        |
| - Toothpaste        | 49.8   | 50.3   | 51.4   | 51.2   |
| - Toothpowder       | 43.6   | 45.0   | 43.5   | 43.5   |
| <b>Tata Tea</b>     |        |        |        |        |
| - Tea               | 21.7   | 21.5   | 21.3   | 20.2   |

Source: AC Nielsen

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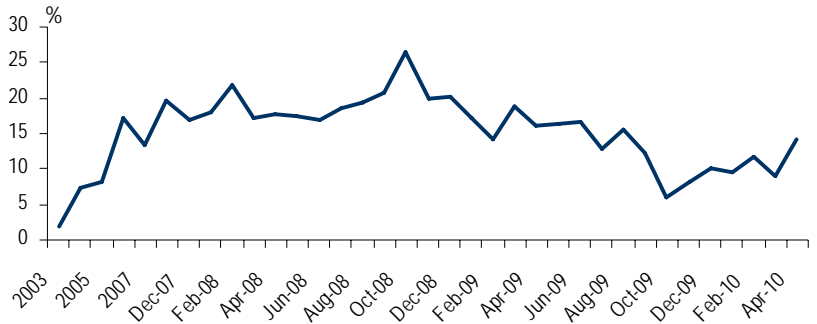
## Sales Growth Trends

Total sales growth came in at 14% -- highest in last eight months. Volume-growth acceleration across most categories is the trigger for this sharp pick-up in growth. This is against the run of play, given food inflation is still high and it is too early for the normal monsoon outlook to make an impact. We would wait and watch how the trend moves over next couple of months. We maintain our view of a strong recovery in growth in 2H CY10, led by price hikes, higher volume growth as food inflation subsides and a normal monsoon supporting rural growth.

Sales growth (%) in April 2010 - Most companies show a healthy rebound

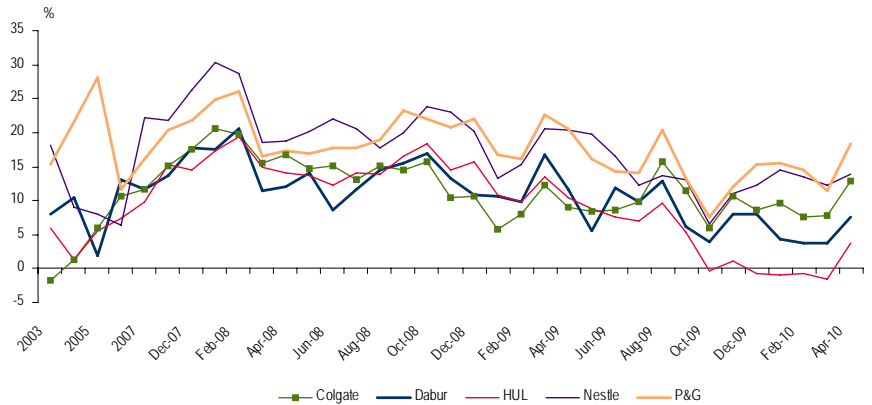
- Godrej - 20.4
- P&G - 18.4
- Nestle - 14.0
- Colgate - 12.9
- Dabur - 7.6
- Tata Tea - 6.8
- HUL - 3.8
- Marico - 3.2

Chart 1: FMCG Sales Growth Trends



Source: AC Nielsen

Chart 2: Company Sales Growth Trend

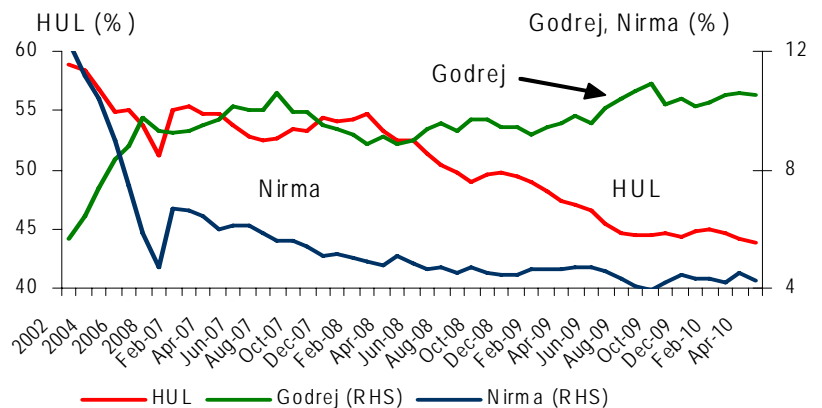


Source: AC Nielsen

## Market Share Trend

Chart 3: Soaps Market share trends

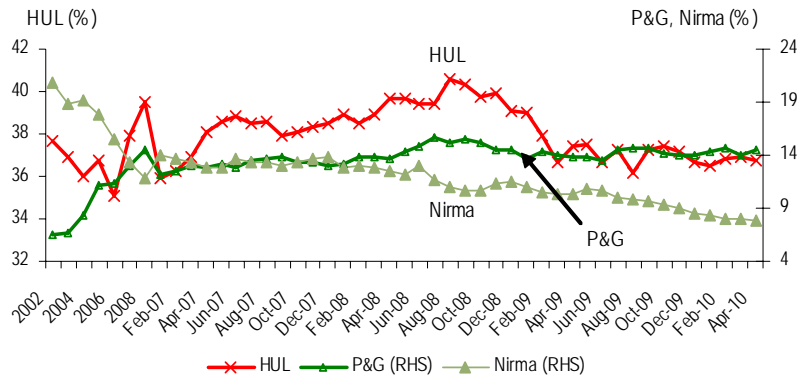
This was third straight month of market share loss for HUL with a 40bp decline. Overall it has lost 320bps since April'09. Godrej lost 10bp in April with an overall gain of 70bp since April'09. Benefit that HUL had accrued through re-launch of its portfolio now appears to be waning off.



Source: AC Nielsen

HUL lost 10bps share in April and P&G gained 70bp. Advantage of Rin price cuts appear to be getting countered by Tide price cuts by P&G. Overall, HUL has lost 60bp and P&G has gained 70bp market share in last 12 months. The current price war appears to be taking away advantage from low price competition, as HUL has not lost as much market share as it could have due to price cuts by P&G.

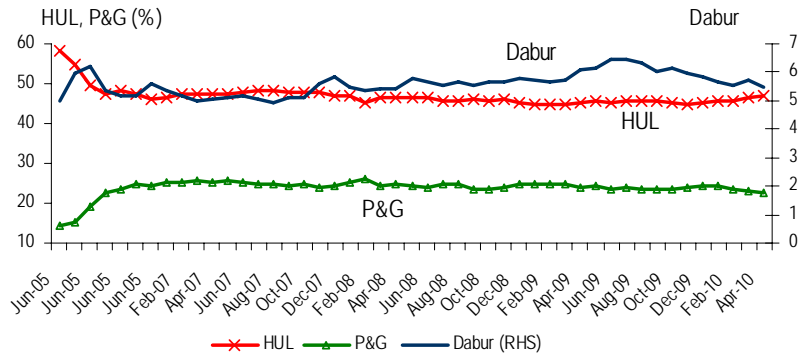
**Chart 4: Detergents Market Share Trend**



Source: AC Nielsen

HUL gained 50bps maintaining a largely positive trend of last one year. P&G lost 40bp and Dabur lost 20bps in April. HUL (170bps) has gained market shares since April'09 with Dabur losing 70bp and P&G losing 150bp.

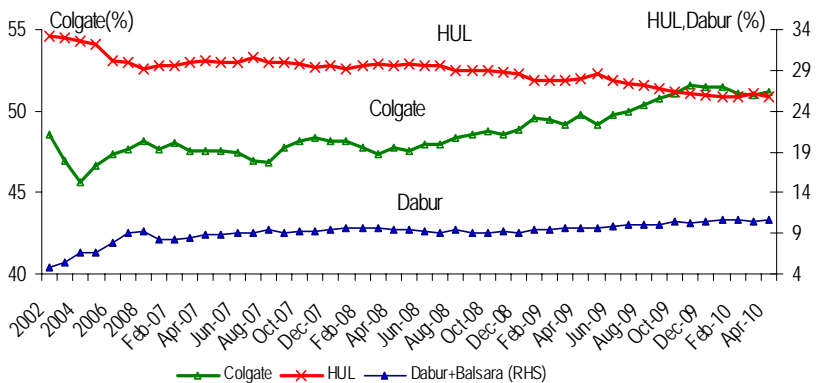
**Chart 5: Shampoos Market Share Trend**



Source: AC Nielsen

Colgate continued its volatile movement of market shares with a 20bp gain in April. During this run of Market share gains, it has managed a 140bps Market share rise since April'09. Dabur gained 10bp and its last 12month gains are an impressive 90bps. HUL reversed its gains of Mar with a 40bps decline in April. Its longer-term performance has been disappointing with 220bps decline since April'09. Lack of mass end brand continues to hurt HUL in a category that is showing signs of down trading.

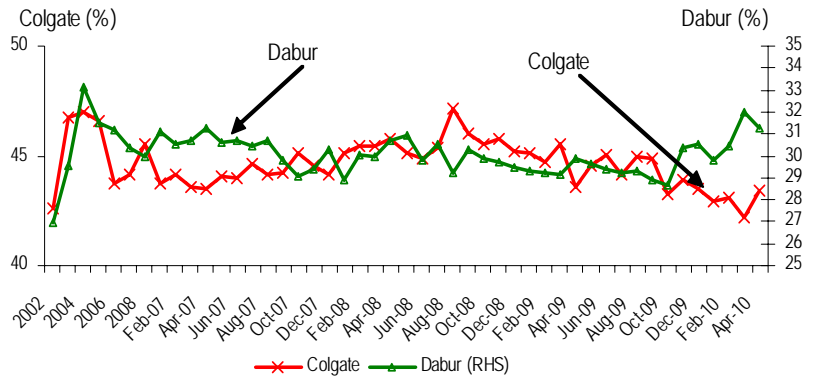
**Chart 6: Toothpaste Market Share Trend**



Source: AC Nielsen

**Chart 7: Toothpowder Market Share Trend**

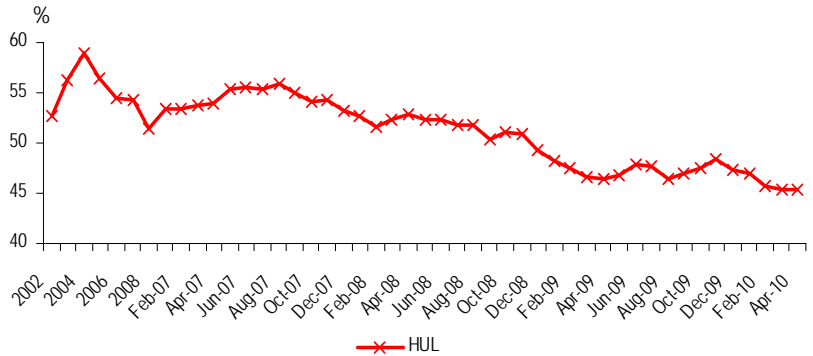
Colgate gained 130bps and Dabur lost 80bps in April. In the longer term, Colgate has lost 10bps and Dabur has gained 140bps since April'09. Overall, the category itself is facing problem as rural consumers are migrating from toothpastes to low-cost toothpastes.



Source: AC Nielsen

**Chart 8: Skincare Market Share Trend**

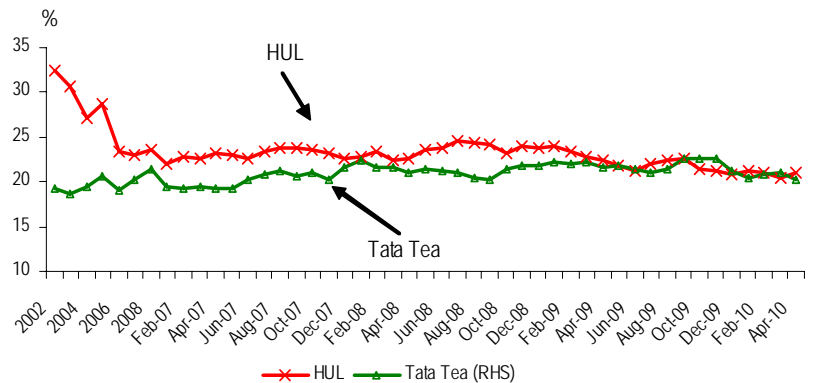
Market shares were largely flat in April, with just a 10bp gain. Overall, in a largely negative trend, HUL has lost 110bps since April'09. This is a worrying sign in a high-growth category that is a prime focus area for HUL.



Source: AC Nielsen

**Chart 9: Tea Market Share Trend**

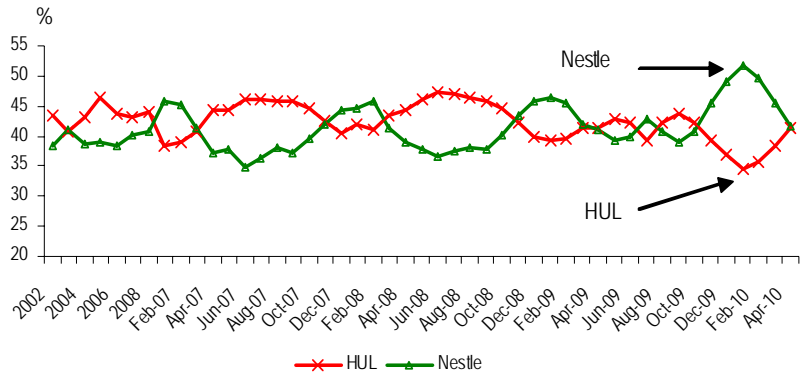
HUL gained 60bp Market share and Tata Tea lost 80bp in April. Both continued the trend reversal of recent months. However, in the longer run, both HUL and Tata Tea have performed badly, losing 140bp and 150bp, respectively. Aggressive price hikes by both the players appear to be the reason for consumers moving away from them.



Source: AC Nielsen

Chart 10: Coffee Market Share Trend

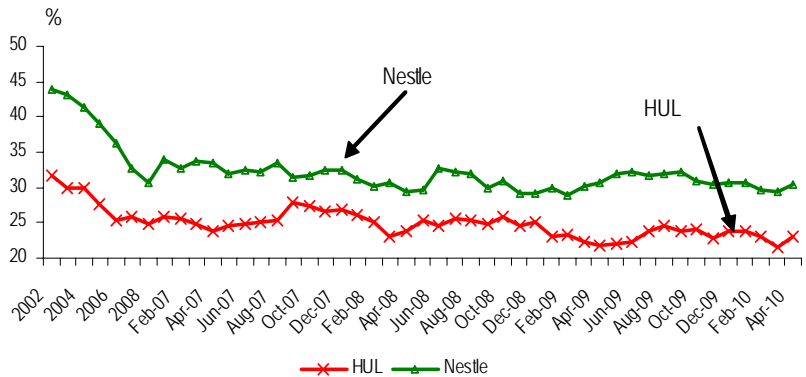
HUL continued to reverse its losing streak with a healthy 290bp margin gain in April. However, over the last one year, it has lost 20bp share. Also, Nestle extended its market share loss streak for fourth straight month and lost 370bp in April. Over this period, Nestle has lost 1030bp of share and is now barely the market leader in this category. Over the last one year, though, Nestle has still gained 60bp.



Source: AC Nielsen

Chart 11: Ketchup Market Share Trend

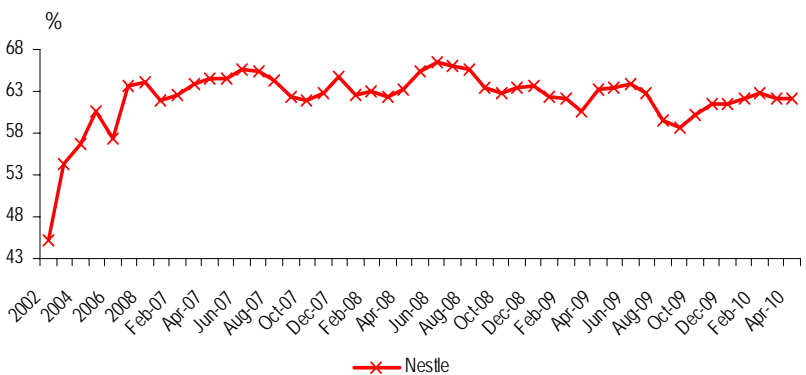
Both HUL and Nestle have gained share in April. Nestle was up 130bp and HUL was up 150bp. This has now resulted in HUL gaining 130bp and Nestle losing 10bp over the last 12 months.



Source: AC Nielsen

Chart 12: Noodles Market Share Trend

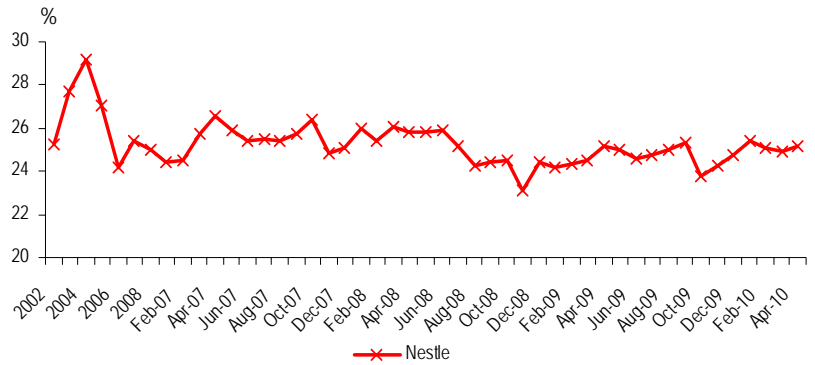
Nestle recovered from its market share loss of last month with a 10bp gain in April. Despite this, Nestle has lost 100bp over the last one year, when it was going through an impressive run of market share gains.



Source: AC Nielsen

Nestle gained 30bps in April. It has been a volatile trend over the last couple of years, but no specific direction. Despite this month's gain, Nestle's share has remained flat over the last one year.

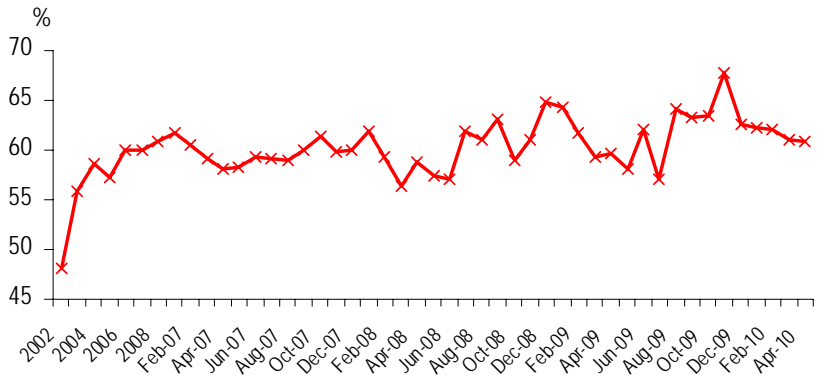
**Chart 13: Chocolates Market Share Trend**



Source: AC Nielsen

Dabur continued to lose share, with a 20bps fall in April. Over the last 12 months, Dabur has been volatile with a positive bias and has gained 130bp.

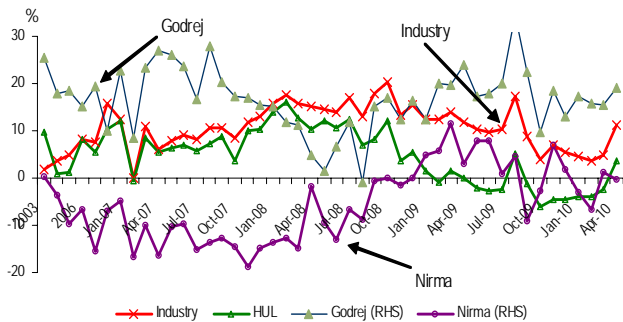
**Chart 14: Chyawanprash Market Share Trend**



Source: AC Nielsen

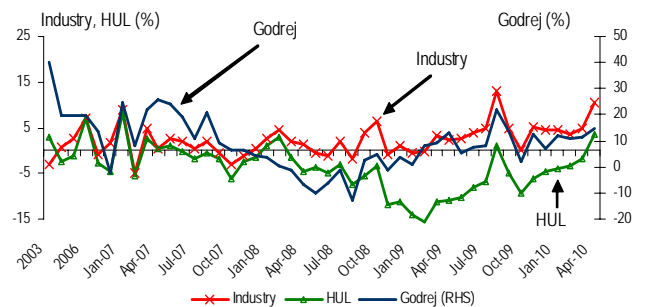
## Category Growth Trend (Y-o-Y)

**Chart 15: Soaps Value Growth Trend**



Source: AC Nielsen

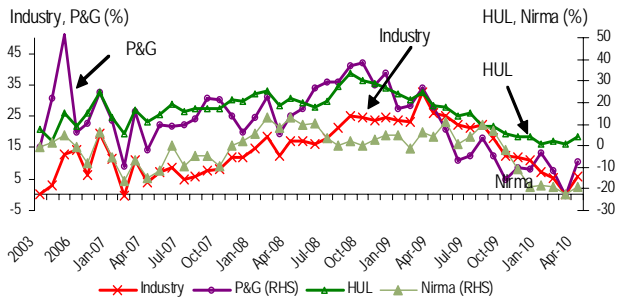
**Chart 16: Soaps Volume Growth Trend**



Source: AC Nielsen

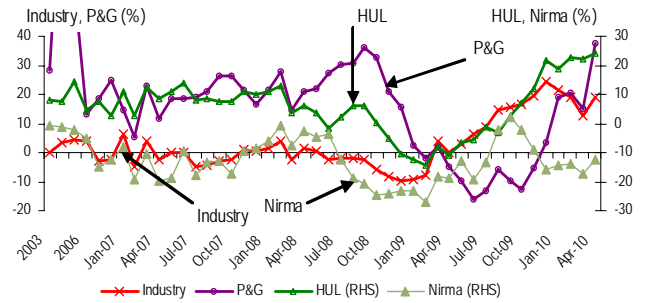
24 May 2010

**Chart 17: Detergents Value Growth Trend**



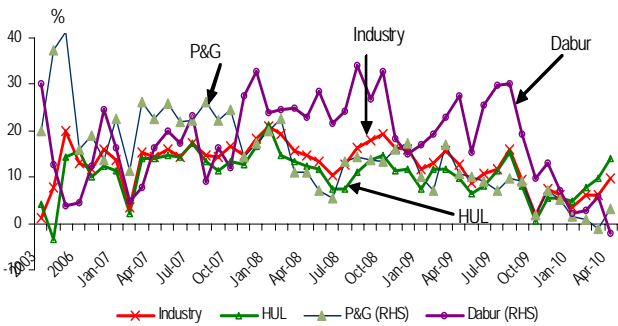
Source: AC Nielsen

**Chart 18: Detergents Volume Growth Trend**



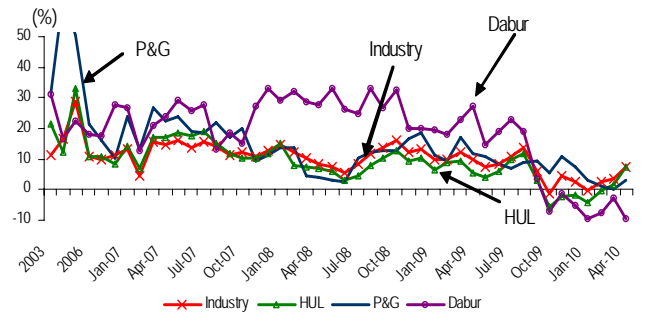
Source: AC Nielsen

**Chart 19: Shampoo Value Growth Trend**



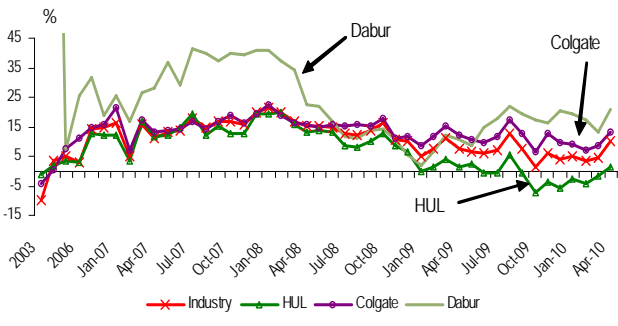
Source: AC Nielsen

**Chart 20: Shampoo Volume Growth Trend**



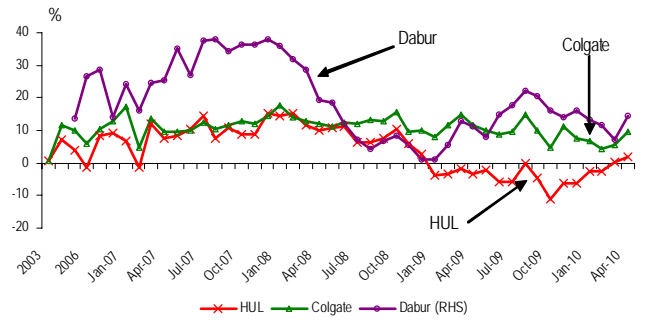
Source: AC Nielsen

**Chart 21: Toothpaste Value Growth Trend**



Source: AC Nielsen

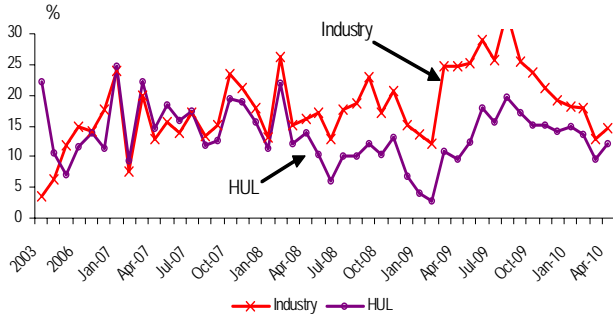
**Chart 22: Toothpaste Volume Growth Trend**



Source: AC Nielsen

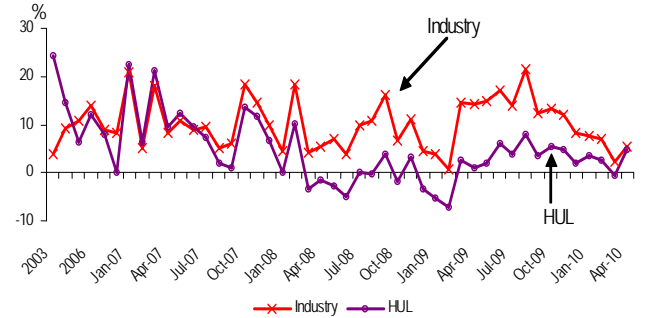
24 May 2010

**Chart 23: Skincare Value Growth Trend**



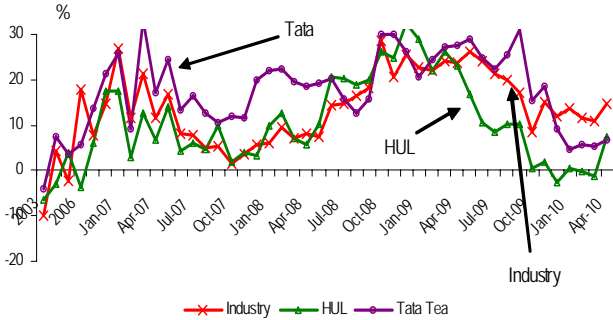
Source: AC Nielsen

**Chart 24: Skincare Volume Growth Trend**



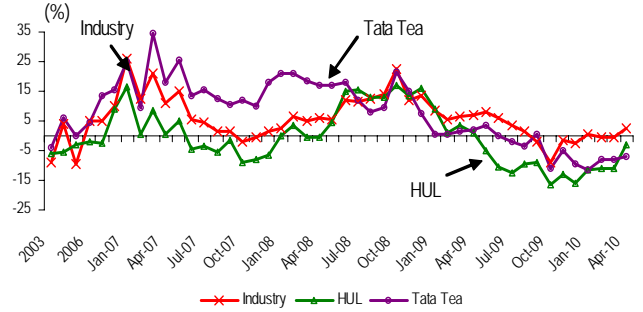
Source: AC Nielsen

**Chart 25: Tea Value Growth Trend**



Source: AC Nielsen

**Chart 26: Tea Volume Growth Trend**



Source: AC Nielsen



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### Consumer & Retail

Click [here](#) for definitions of commonly used terms.

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