

INDIA

Retail Counter

No monsoon woes yet

Reason for report: Quarterly update

'Retail Counter' is a quarterly update, in which we analyse domestic sales trends of FMCG companies based on ACNielsen's retail audit data.

ACNielsen's FMCG retail sales audit figures for July-August '09 indicate 14.2% YoY sales growth, lower than 16.3% in Q1FY10. We attribute this to lower inflation and a high base. Volume growth has been robust as all top-10 categories witnessed positive volume growth and five out of 10 categories, a higher volume growth compared with growth in FY09. Six out of 10 companies grew >10% YoY in July-August '09. Hindustan Unilever's (HUL) sales grew a muted 8.3% YoY. More importantly, HUL continued to witness volume decline & market share loss in key categories of toilet soaps, washing powder, packaged tea & detergent cakes.

- ▶ **FMCG sales growth continues to be healthy, albeit moderated due to lower inflation.** FMCG retail sales grew a healthy 14.2% YoY in July-August '09, lower than 16.3% in Q1FY10. We attribute this to lower inflation and high base effect. Volume growth has been robust as all top 10 categories witnessed positive volume growth and five out of 10 categories, a higher volume growth compared with growth in FY09. Robust volume growth in large categories despite monsoon woes indicates marked resilience in consumer spending on FMCG.
- ▶ **Six out of 10 companies registered more than 10% sales growth.** Only six out of 10 companies grew >10% YoY in July-August '09. Britannia, HUL, GlaxoSmithKline Consumer (GSKCH) and Marico registered lower than 10% growth. Britannia's sales declined as volumes decreased sharply due to market share losses. On the back of sharp price increases (due to increase in input prices), Tata Tea's sales grew sharply 24.0%. Godrej Consumer Products (GCPL) sales grew a robust 23.3% YoY on the back of strong performance in the toilet soaps segment.
- ▶ **HUL – Volume decline & market share losses in key categories continue.** HUL's sales grew a muted 8.3% YoY in July-August '09. More importantly, volume decline continued in key categories of toilet soaps (down 2.9% YoY), washing powder (down 2.1% YoY), detergent cakes (down 11.2% YoY) & packaged tea (down 11.1%). HUL lost significant market share in toilet soaps (down 547bps YoY), toothpaste (down 203bps YoY), skin care (down 478bps YoY), washing powder (down 328bps YoY) and detergent cakes (down 360bps YoY).

FMCG retail sales audit for July-August '09 – Snapshot

Parameter for sale	Companies	Key categories (over Rs5bn in annual sales)
> 15% YoY growth	GCPL, P&G, Tata Tea	Washing Powder, Packaged Tea, Detergent Cakes, Skin Cream, Namkins, Hair Oils, Salt, Noodles, Rubefacient, Soap Cakes, Milk Food, Hair Dyes, Cleaner Utensil, Sanitary Napkin, Fragrances, Toothbrush, Talcum Powder
10-15% YoY growth	Colgate, Dabur, Nestle	Biscuits, Toilet Soaps, Shampoo, Chocolate, Analgesics, Milk Powder, Baby Food, Butter, Coconut Oil
<10% YoY	Britannia, HUL, GSKCH, Marico	Edible Oil, Toothpastes, Mosquito Repellent, Confectionary (HBC), Toothpowder, Safety Razor Blades, Beverages, Coffee, Packaged Atta

Source: ACNielsen

FMCG

Top picks

ITC
Nestle
GSKCH
Marico

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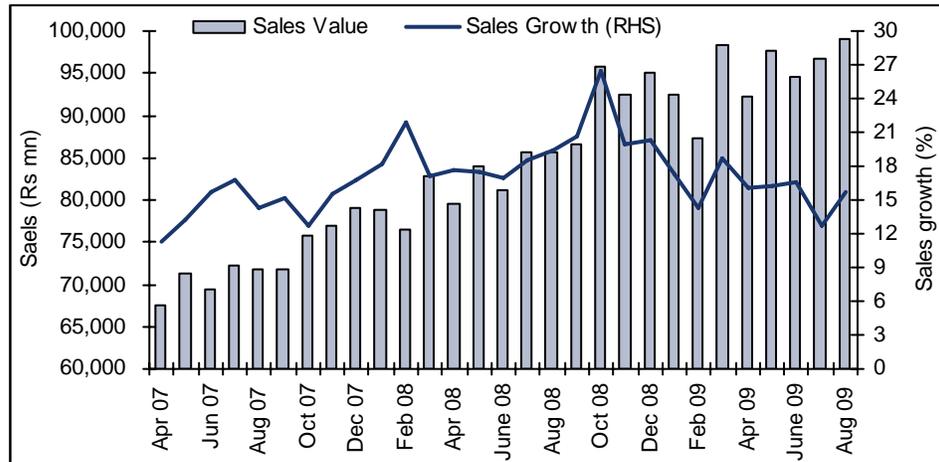
TABLE OF CONTENTS

Sector and category highlights	3
Company-wise highlights	4
Britannia Industries – Volume decline, a concern.....	4
Colgate-Palmolive India – Stable growth.....	5
Dabur – Steady growth	6
GSKCH – Moderate growth	7
GCPL – Strong sales growth	8
HUL – Market share losses in key categories continue.....	9
Marico Industries – Stable growth.....	11
Nestlé India – Steady all round growth	12
Procter & Gamble – Robust growth	13
Tata Tea – Price-led growth.....	14
Index of Tables and Charts.....	15

Sector and category highlights

Chart 1: FMCG sales growth steady despite poor monsoons

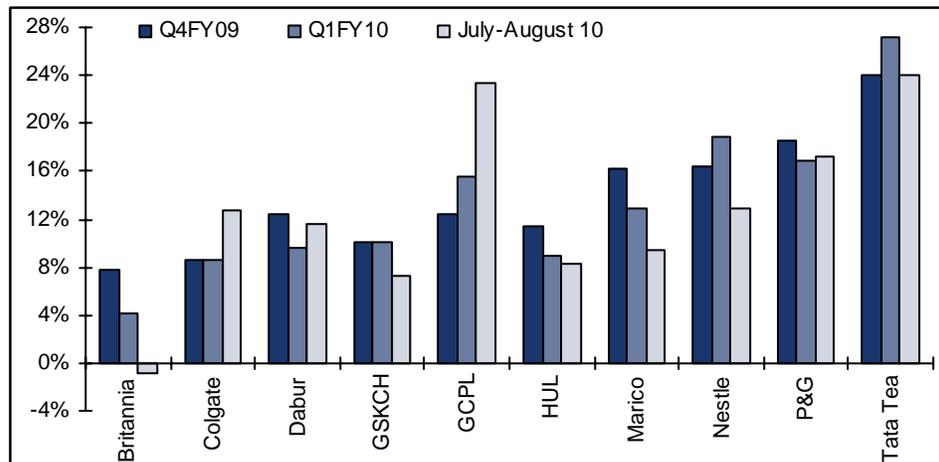
FMCG YoY sales growth at 14.2% in July-August '09 is marginally lower than 16.3% in Q1FY10. However, the same can be attributed to high base and lower inflation. Double-digit sales growth despite poor monsoons indicates significant resilience



Source: ACNielsen

Chart 2: Only six out of 10 companies grew >10% YoY

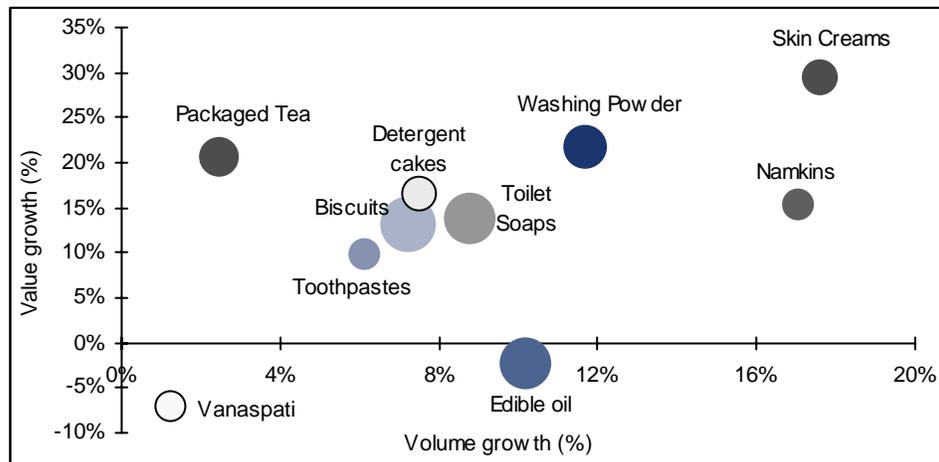
With reversion in inflation, sales growth for many companies has been mainly driven by volume growth. Hence, only six out of 10 companies witnessed higher than 10% YoY sales growth



Source: ACNielsen

Chart 3: Category-wise sales/volume growth in July-August '09

All top-10 categories witnessed volume growth. Five out of 10 categories witnessed a higher volume growth compared with growth in FY09



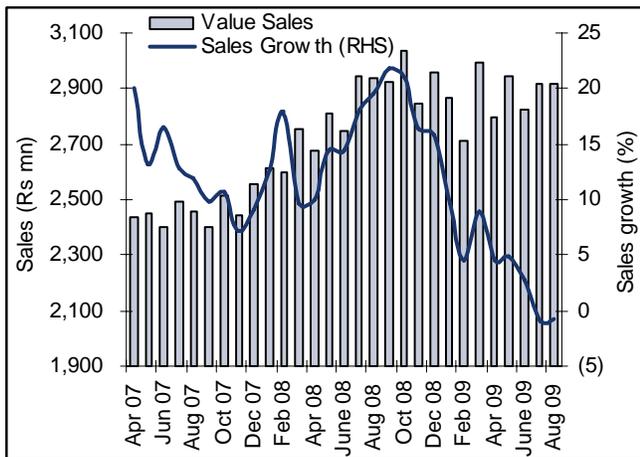
Source: ACNielsen

Company-wise highlights

Britannia Industries – Volume decline, a concern

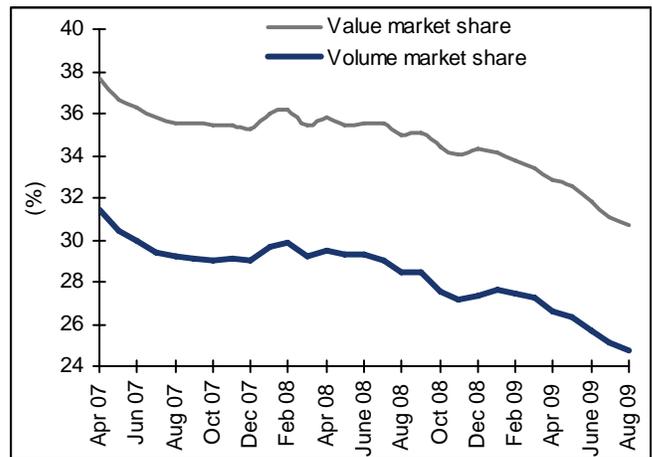
- Britannia’s sales declined 0.9% YoY in July-August '09. More importantly, volumes declined 7.1% YoY in the same period. This volume decline in July-August '09 is in line with 6.5% YoY volume decline in Q1FY10. The volume loss was primarily on account of market share loss in categories such as Glucose.
- Britannia’s value market share declined sharply 439bps YoY to 30.9% during July-August '09.

Chart 4: Britannia – Sales growth flat



Source: ACNielsen

Chart 5: Biscuits – Dip in market share continues

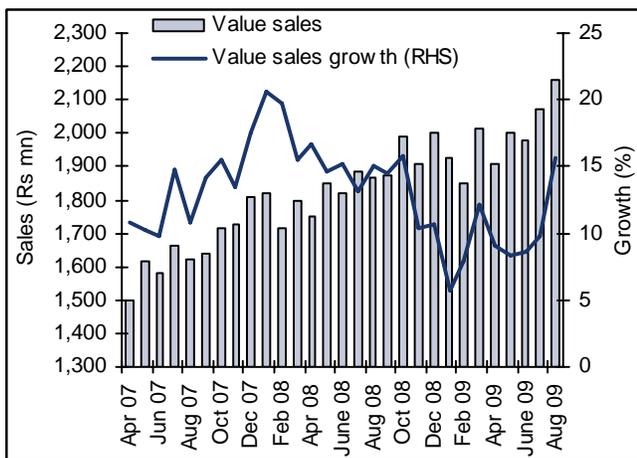


Source: ACNielsen

Colgate-Palmolive India – Stable growth

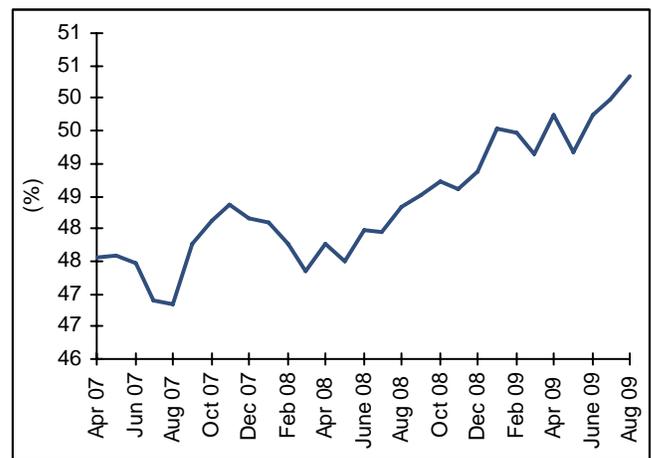
- Colgate’s sales grew 12.7% YoY in July-August '09, higher than 8.7% YoY in Q1FY10.
- In the toothpaste category, the company’s market share improved 200bps YoY to 50.2% in July-August '09. Toothpaste sales grew 14.4% YoY in July-August '09.
- Colgate’s market share in toothpowder declined 170bps YoY to 44.6% in July-August '09.
- Colgate’s market share in the toothbrush category rose 173bps YoY to 38.9% in July-August '09.

Chart 6: Colgate – Steady sales growth



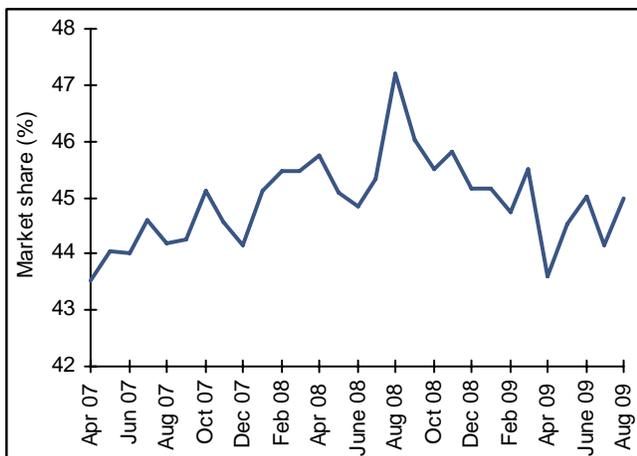
Source: ACNielsen

Chart 7: Toothpaste – Gaining market share



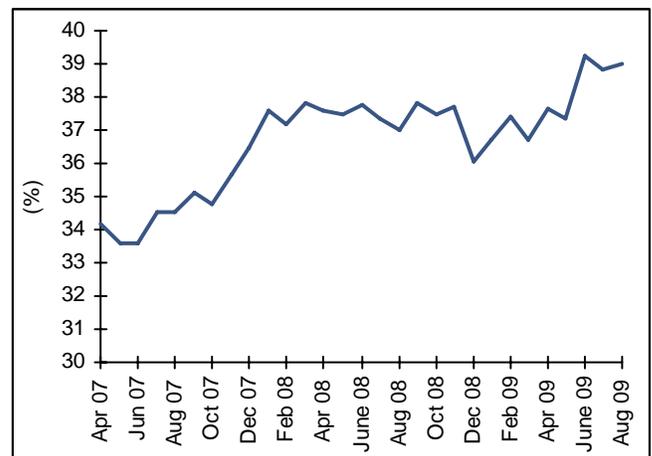
Source: ACNielsen

Chart 8: Toothpowder – Decline in share



Source: ACNielsen

Chart 9: Toothbrush – Increase in share

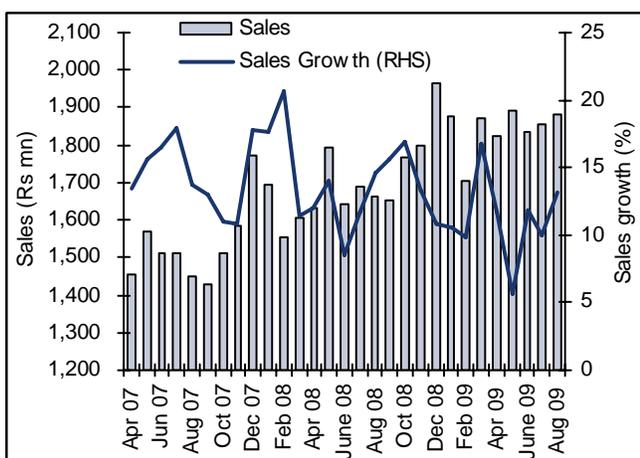


Source: ACNielsen

Dabur – Steady growth

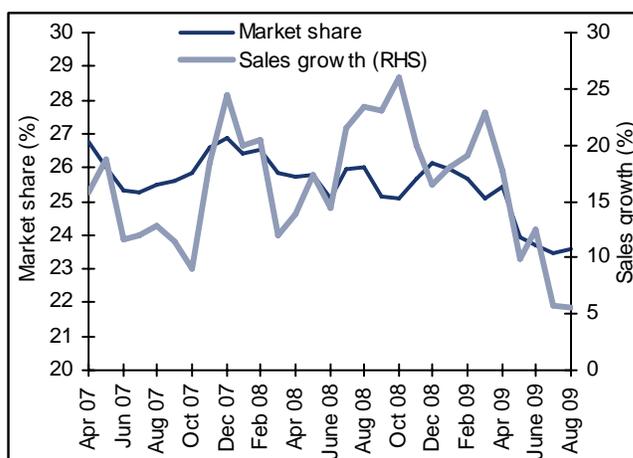
- Dabur’s sales grew 11.5% YoY in July-August '09. While categories such as toothpaste and digestives witnessed higher growth than in Q1FY10; hair oil and toothpowder witnessed a moderation in growth.
- Dabur’s market share in the hair oil category declined 245bps YoY to 23.5% in July-August '09. Hair oil sales rose 5.6% YoY in the same period.
- Digestives market share declined 352bps YoY to 61.3% in July-August '09.
- Dabur’s market share in toothpowder declined 57bps YoY to 29.3% in July-August '09. Toothpaste market share improved 83bps YoY to 10.0% in July-August '09.
- While *Babool* gained market share (49bps YoY) and *Meswak* gained marginally (15bps YoY), other brands lost market share led by *Odonil* (1137bps YoY decline) followed by *Hajmola* (478bps YoY decline).

Chart 10: Dabur – Steady sales growth



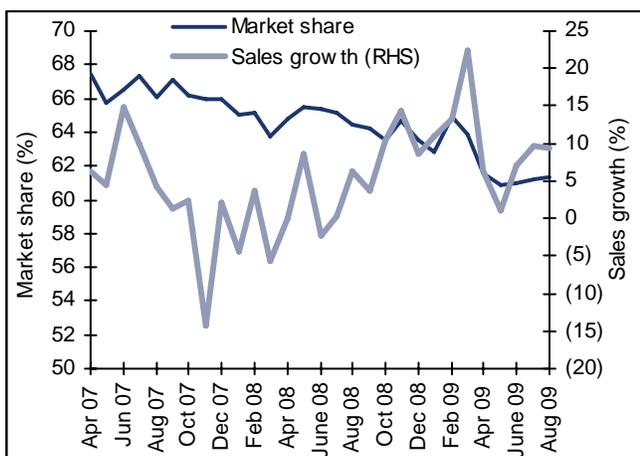
Source: ACNielsen

Chart 11: Hair oil – Decline in share



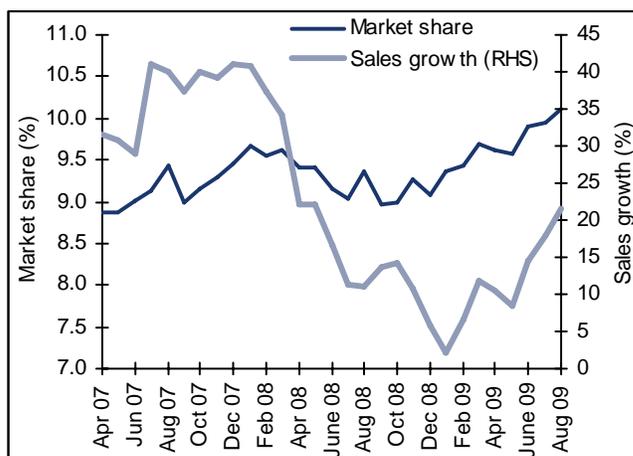
Source: ACNielsen

Chart 12: Digestives – Market share decline



Source: ACNielsen

Chart 13: Toothpaste – Market share rising

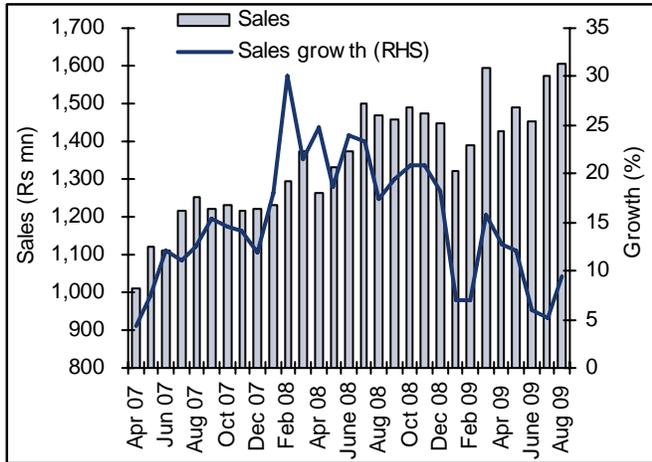


Source: ACNielsen

GSKCH – Moderate growth

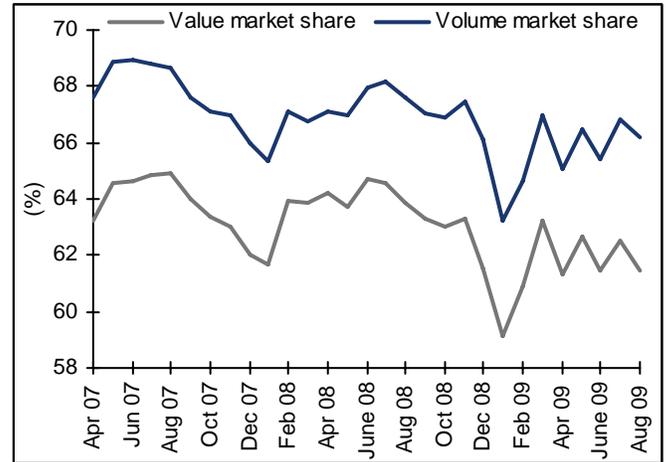
- GSKCH's sales grew moderately 7.2% YoY in July-August '09 on the back of 5.7% YoY growth in the beverages category. However, beverages market share declined 227bps YoY to 62% in July-August '09.
- Sales grew a moderate 6.2% YoY in *Horlicks* and were weak at 4% YoY in *Boost*. Biscuits witnessed a growth of 9.9% YoY in July-August '09.

Chart 14: GSKCH – Moderate growth



Source: ACNielsen

Chart 15: Beverages – Market share decline

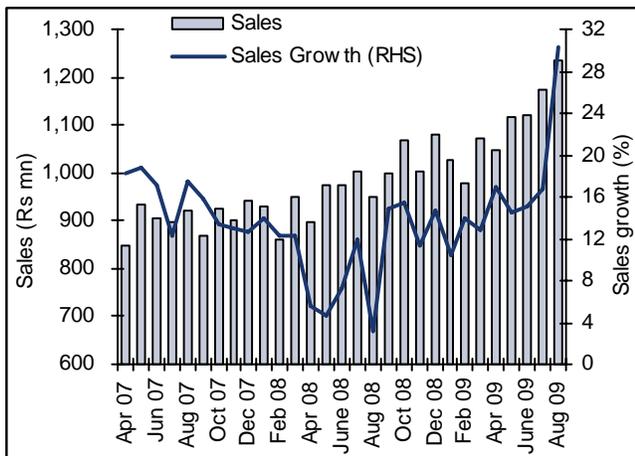


Source: ACNielsen

GCPL – Strong sales growth

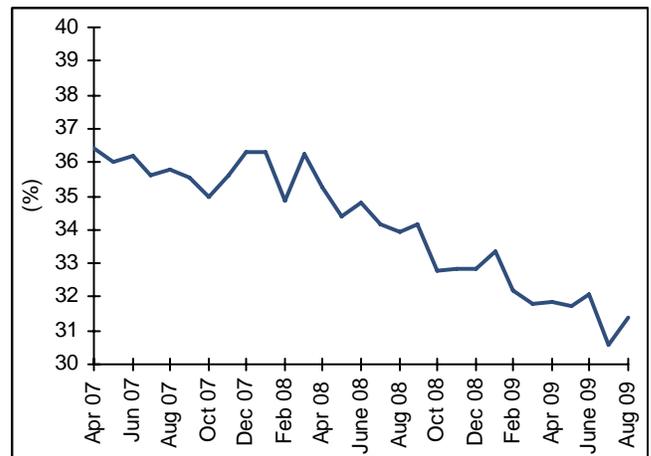
- GCPL posted strong sales growth of 23.3% YoY in July-August '09. Market share loss continued in hair dyes but toilet soaps continued to gain market share.
- Hair dyes market share declined 308bps YoY to 31.0% in July-August '09.
- Toilet soap market share increased 110bps YoY to 10.5% in July-August '09. Market share gain was witnessed mainly in *Godrej No 1*.

Chart 16: GCPL – Strong sales growth



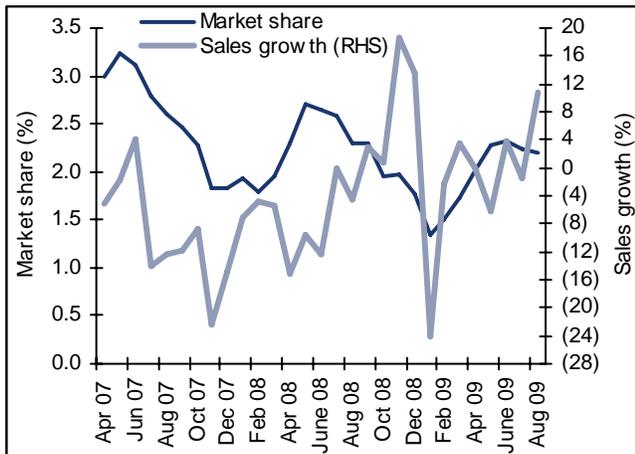
Source: ACNielsen

Chart 17: Hair dyes – Market share decline continues



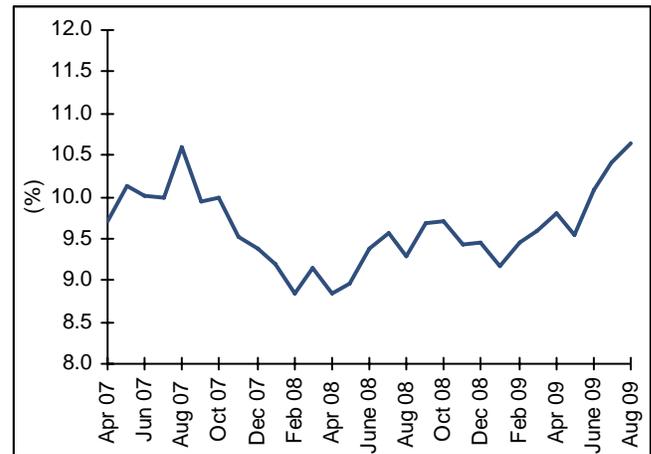
Source: ACNielsen

Chart 18: Talcum powder – Market share stable



Source: ACNielsen

Chart 19: Toilet soaps – Market share increase

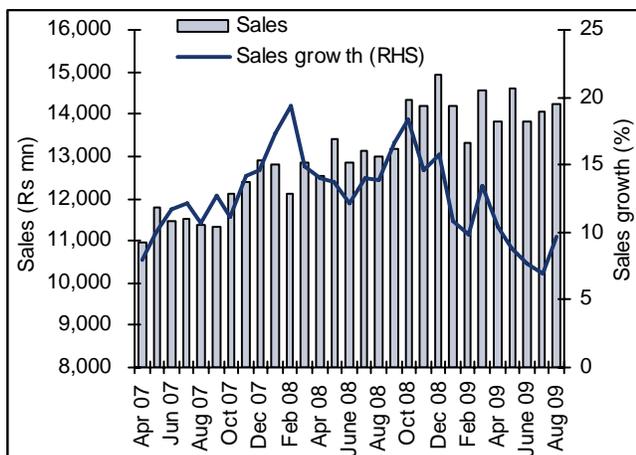


Source: ACNielsen

HUL – Market share losses in key categories continue

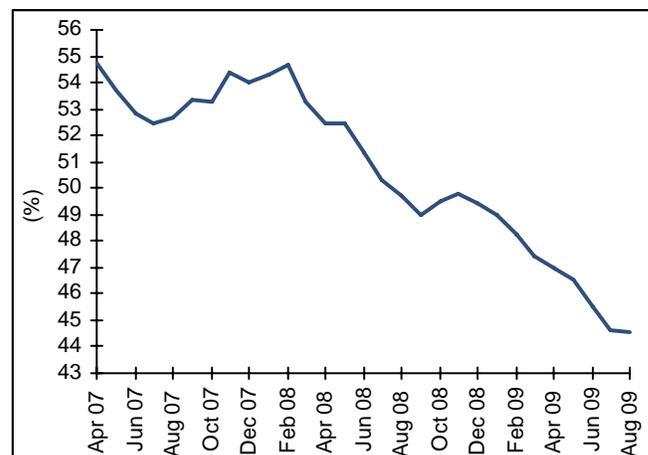
- HUL's sales grew 8.3% YoY in July-August '09. While the company has registered healthy sales growth in categories such as washing powder and skin creams, sales grew a muted 1.3% YoY in the all important toilet soaps segment. More importantly, despite healthy volume growth for the industry, HUL's volumes continued to decline in key categories of washing powder (volume decline of 2.1% vis-à-vis 11.7% growth for the industry), toilet soaps (volume decline of 2.9% vis-à-vis 8.8% growth for the industry), packaged tea (volume decline of 11.1% vis-à-vis 2.5% growth for the industry) and detergent cakes (volume decline of 11.2% vis-à-vis 7.5% growth for the industry).
- HUL's value market share in toilet soap category declined a whopping 547bps YoY to 44.6% in July-August '09. Market share decline was witnessed in key brands – *Lux* (down 213bps YoY) and *Lifebuoy* (down 243bps YoY).
- HUL lost market share in skin cream (down 478bps YoY to 47.0%) despite sales growing 17.5% YoY.
- Shampoo sales grew 13.3% in July-August '09. However, shampoo market share declined marginally 19bps YoY to 45.6% in July-August '09.
- Packaged tea sales grew 9.4% YoY in July-August '09. Its market share fell 231bps YoY to 22.2%.
- Toothpaste growth was at 2.3% YoY in July-August '09. Market share declined sharply 203bps to 27.3%. While *Close-up* gained 29bps YoY market share, *Pepsodent* lost 232bps YoY.
- While detergent cake sales increased 6.1% YoY in July-August '09, volumes declined sharply 11.2% in the same period. Market share declined 360bps YoY to 37.2% in July-August '09.
- HUL's sales in washing powder increased 11.8% YoY in July-August '09. However, volume declined 2.1% YoY in the same period. More importantly, market share declined sharply 328bps YoY to 36.7%.

Chart 20: HUL – Muted sales growth



Source: ACNielsen

Chart 21: Toilet soaps – Steep decline in share



Source: ACNielsen

Chart 22: Skin cream – Decline in market share



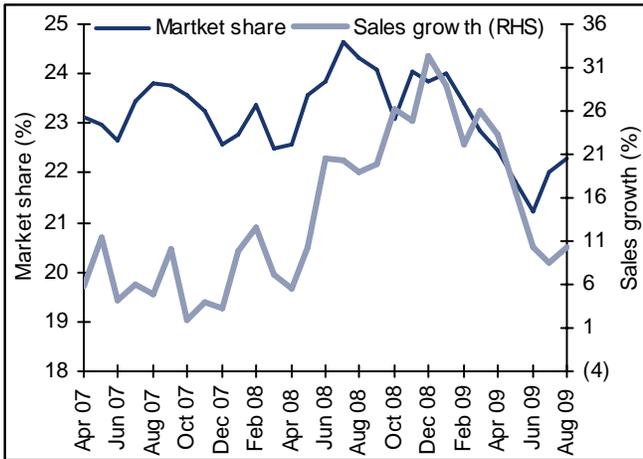
Source: ACNielsen

Chart 23: Toothpaste – Declining share



Source: ACNielsen

Chart 24: Packaged tea – Marginal market share gain



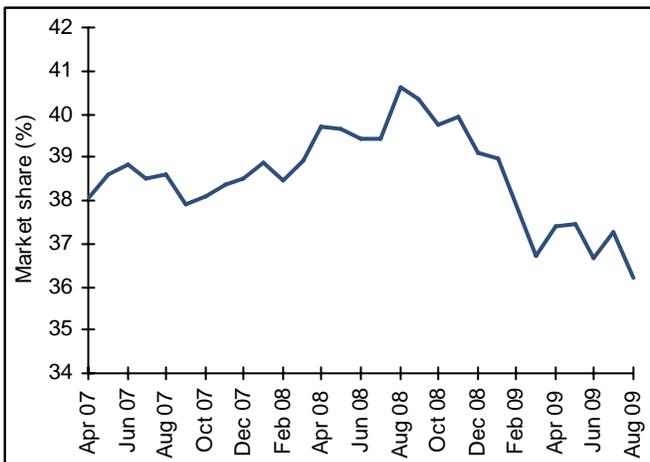
Source: ACNielsen

Chart 25: Shampoo – Steady market share



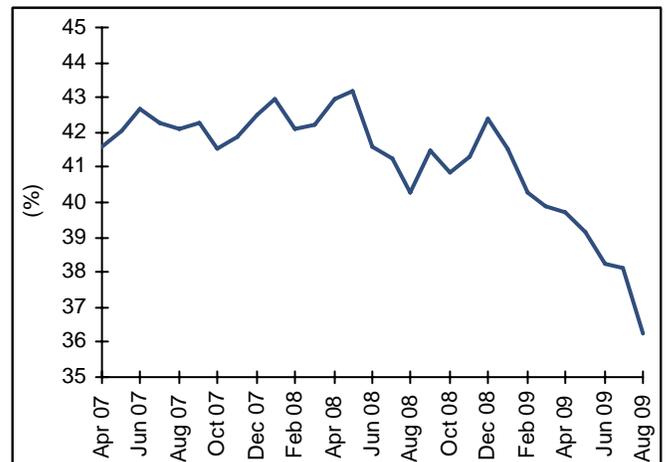
Source: ACNielsen

Chart 26: Washing powder – Decline in share



Source: ACNielsen

Chart 27: Detergent cakes – Loss in market share

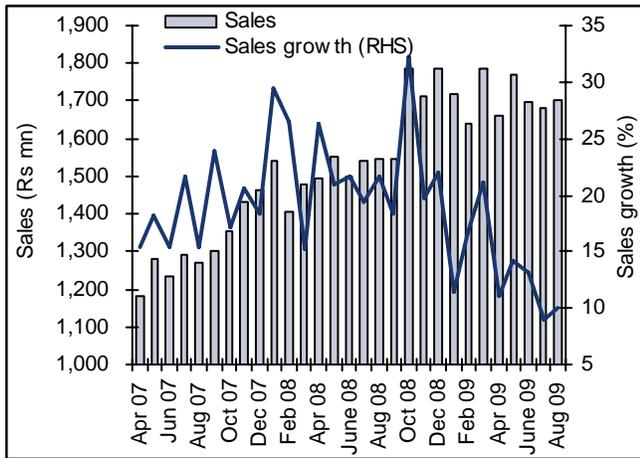


Source: ACNielsen

Marico Industries – Stable growth

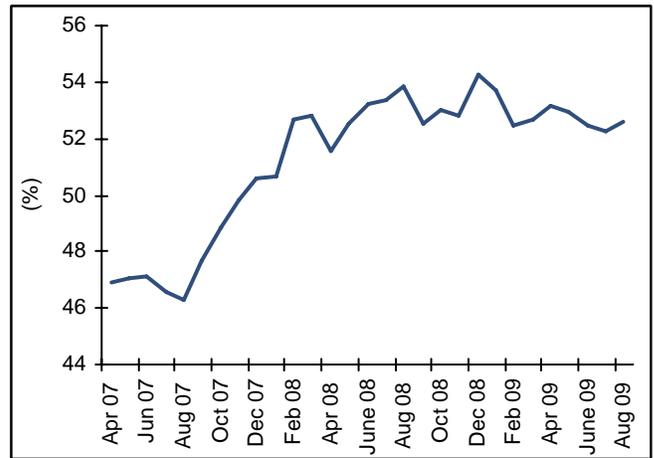
- Marico registered a 9.5% YoY growth in July-August '09, driven by rebound in the performance of edible oil and moderate performance in coconut oil & hair oil.
- Sales for the coconut oil category grew 10.9% YoY, with market share decreasing 121bps YoY to 52.4% in July-August '09. Hair oil grew 12.2% YoY in July-August '09 with market share declining 61bps to 15.5%.
- In the edible oil category, while sales grew only 3.8% YoY in July-August '09, volumes grew 14.8% in the same period.

Chart 28: Marico – Flat growth



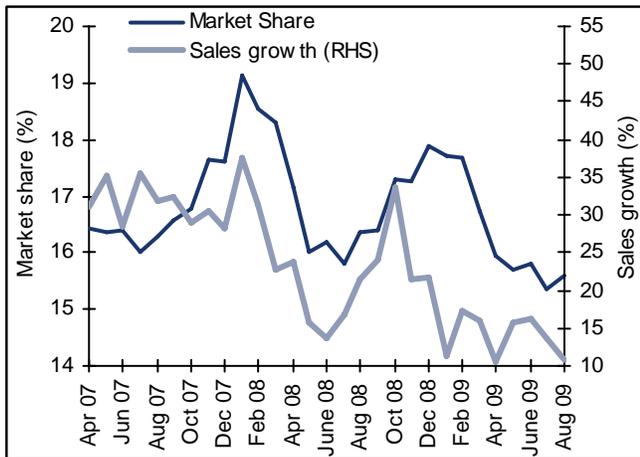
Source: ACNielsen

Chart 29: Coconut oil – Market share flat



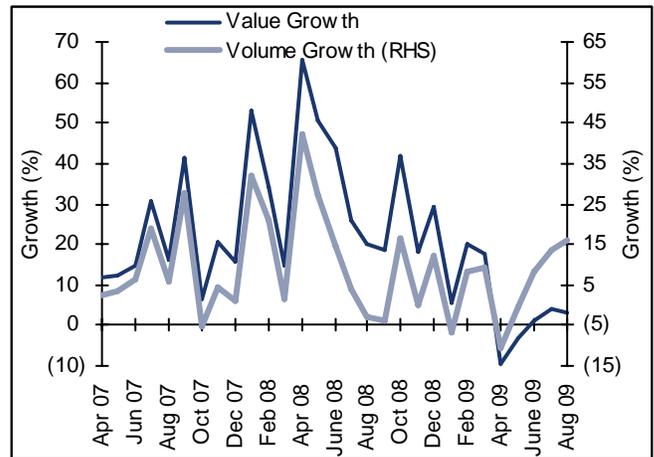
Source: ACNielsen

Chart 30: Hair oil – Market share flat



Source: ACNielsen

Chart 31: Edible oil – Rebound in volume growth

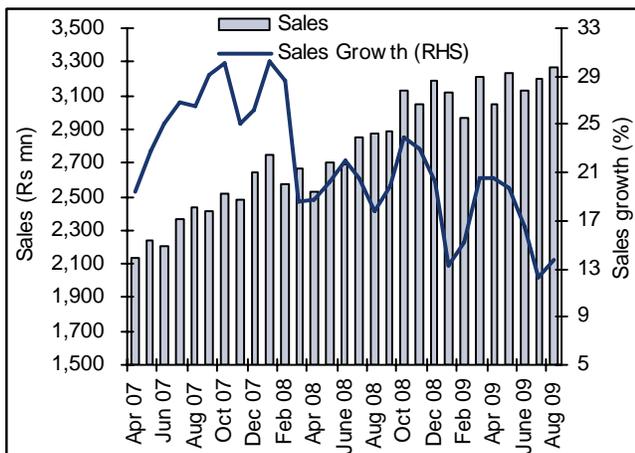


Source: ACNielsen

Nestlé India – Steady all round growth

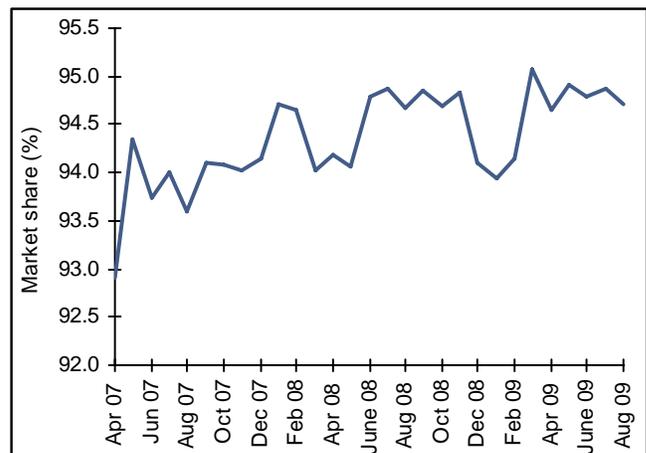
- On a high base, Nestlé’s sales grew 13% YoY in July-August ’09 on the back of steady growth in all categories.
- Baby foods’ sales grew 14.9% YoY. Market share remained steady at 94.8% in July-August ’09.
- Noodles’ sales grew 12.1% YoY in July-August ’09, with market share declining 456bps to at 61.2% in July-August ’09. The underlying volume growth in noodles was 8.5%.
- Nestlé also registered healthy value growth in coffee, with 14.8% YoY sales growth in July-August ’09.
- Chocolates sales grew 13.9% YoY with market share marginally increasing 18bps YoY to 24.9%.
- Milk powder sales grew 17.1% YoY in July-August ’09, with market share expanding 165bps YoY to 48.6%. The underlying volume growth in milk powder was 8.5%.

Chart 32: Nestlé – Momentum continues



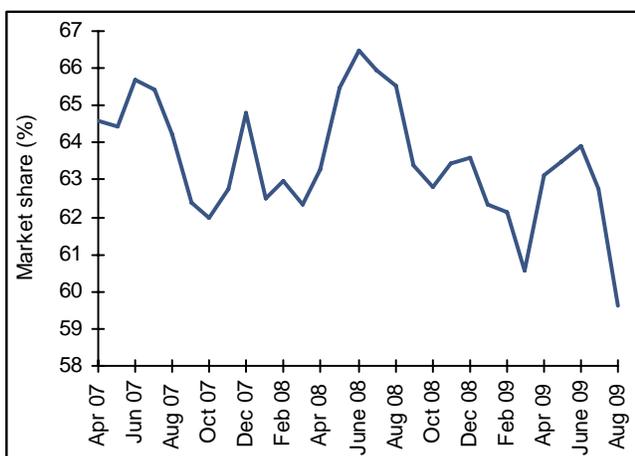
Source: ACNielsen

Chart 33: Baby food – Steady share



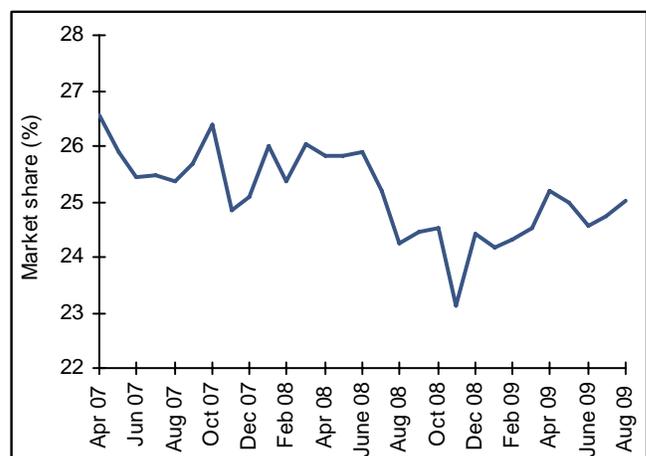
Source: ACNielsen

Chart 34: Noodles – Marginal loss in share



Source: ACNielsen

Chart 35: Chocolates – Marginal improvement

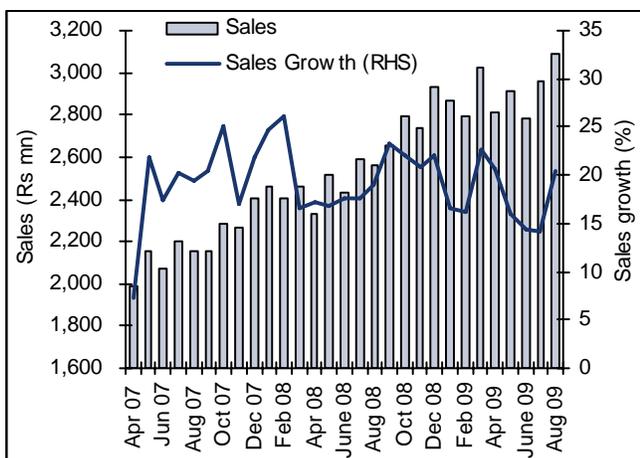


Source: ACNielsen

Procter & Gamble – Robust growth

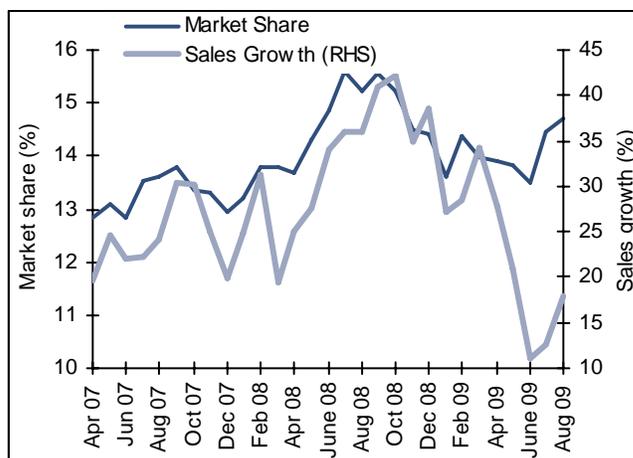
- Procter & Gamble’s (P&G) sales grew 17.3% YoY in July-August '09, largely driven by strong growth in washing powder, rubefacient and sanitary napkins.
- P&G’s shampoo sales increased 8.5% YoY in July-August '09. Market share declined 114bps YoY in July-August '09 to 23.5%.
- Washing powder volumes fell 8.5% YoY in July-August '09. However, on the back of previous price increases, sales grew 15.3% YoY in July-August '09. Market share declined to 14.6% (down 83bps YoY).
- Sanitary napkins market share increased 91bps YoY to 48.2% and sales increased 25% YoY in July-August '09.
- Rubefacient sales grew 20.7% YoY in July-August '09, with market share at 17.8%.

Chart 36: P&G – Robust growth continues



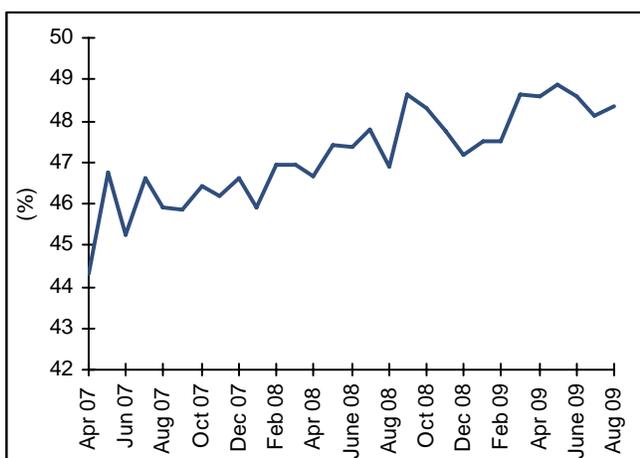
Source: ACNielsen (Note – The sales is sum of all entities of P&G in India)

Chart 37: Washing powder – Marginal decline



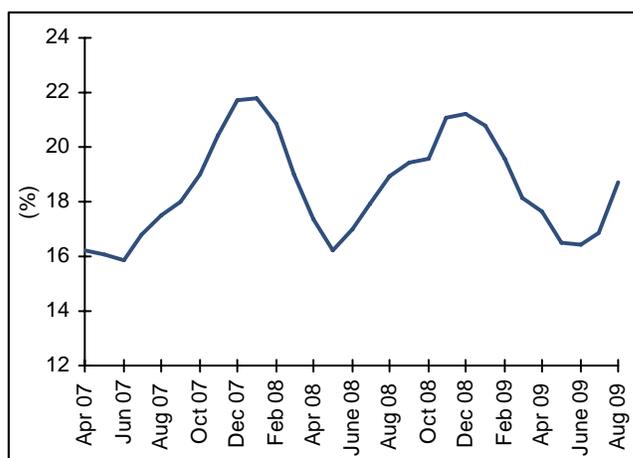
Source: ACNielsen

Chart 38: Sanitary napkins – Increase in market share



Source: ACNielsen

Chart 39: Rubefacients – Steady market share

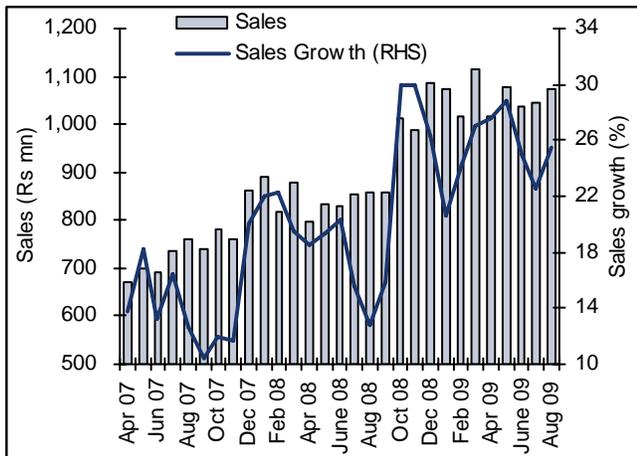


Source: ACNielsen; Note that market share volatility is due to seasonality.

Tata Tea – Price-led growth

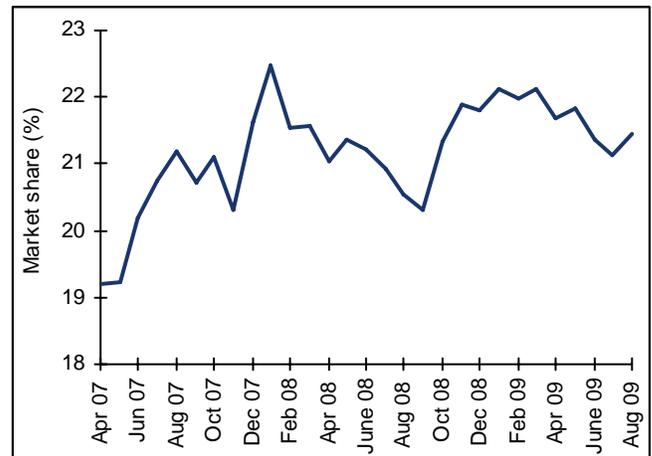
- Tata Tea’s sales increased sharply 24% YoY in July-August '09. Its market share increased 56bps YoY to 21.3%. The sales increase was more on the back of price increases (due to sharp increase in input costs) as volumes declined 2.8% YoY.
- The growth has been driven by regional brands such as *Gemini* and *Chakra* (sales up 45% YoY for both brands). However, volumes declined marginally 1.6% YoY for *Kanan Devan*.

Chart 40: Tata Tea – Price-led growth



Source: ACNielsen

Chart 41: Tata Tea – Marginal improvement in market share



Source: ACNielsen

Index of Tables and Charts

Charts

Chart 1: FMCG sales growth steady despite poor monsoons	3
Chart 2: Only six out of 10 companies grew >10% YoY	3
Chart 3: Category-wise sales/volume growth in July-August '09.....	3
Chart 4: Britannia – Sales growth flat	4
Chart 5: Biscuits – Dip in market share continues	4
Chart 6: Colgate – Steady sales growth	5
Chart 7: Toothpaste – Gaining market share.....	5
Chart 8: Toothpowder – Decline in share	5
Chart 9: Toothbrush – Increase in share	5
Chart 10: Dabur – Steady sales growth.....	6
Chart 11: Hair oil – Decline in share	6
Chart 12: Digestives – Market share decline	6
Chart 13: Toothpaste – Market share rising	6
Chart 14: GSKCH – Moderate growth	7
Chart 15: Beverages – Market share decline	7
Chart 16: GCPL – Strong sales growth	8
Chart 17: Hair dyes – Market share decline continues	8
Chart 18: Talcum powder – Market share stable.....	8
Chart 19: Toilet soaps – Market share increase	8
Chart 20: HUL – Muted sales growth.....	9
Chart 21: Toilet soaps – Steep decline in share	9
Chart 22: Skin cream – Decline in market share	10
Chart 23: Toothpaste – Declining share	10
Chart 24: Packaged tea – Marginal market share gain	10
Chart 25: Shampoo – Steady market share	10
Chart 26: Washing powder – Decline in share	10
Chart 27: Detergent cakes – Loss in market share	10
Chart 28: Marico – Flat growth.....	11
Chart 29: Coconut oil – Market share flat	11
Chart 30: Hair oil – Market share flat	11
Chart 31: Edible oil – Rebound in volume growth.....	11
Chart 32: Nestlé – Momentum continues	12
Chart 33: Baby food – Steady share.....	12
Chart 34: Noodles – Marginal loss in share	12
Chart 35: Chocolates – Marginal improvement	12
Chart 36: P&G – Robust growth continues.....	13
Chart 37: Washing powder – Marginal decline	13
Chart 38: Sanitary napkins – Increase in market share.....	13
Chart 39: Rubefacients – Steady market share.....	13
Chart 40: Tata Tea – Price-led growth.....	14
Chart 41: Tata Tea – Marginal improvement in market share	14

ANALYST CERTIFICATION

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