

## FMCG

## Top picks

ITC  
Nestle  
GSKCH  
Marico

Sanjay Singh

sanjay.singh@icicisecurities.com  
+91 22 6637 7386

## 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

---

**TABLE OF CONTENTS**

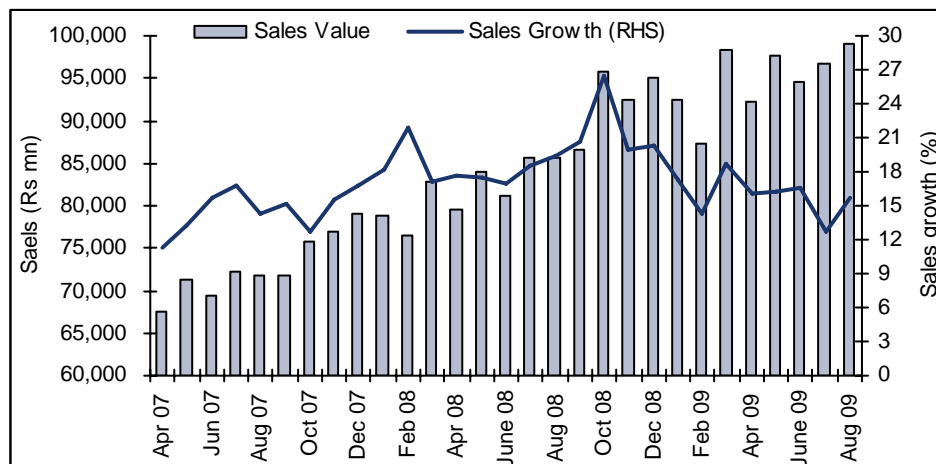

---

<b>Sector and category highlights .....</b>	<b>3</b>
<b>Company-wise highlights .....</b>	<b>4</b>
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
<b>Index of Tables and Charts .....</b>	<b>15</b>

## Sector and category highlights

**Chart 1: FMCG sales growth steady despite poor monsoons**

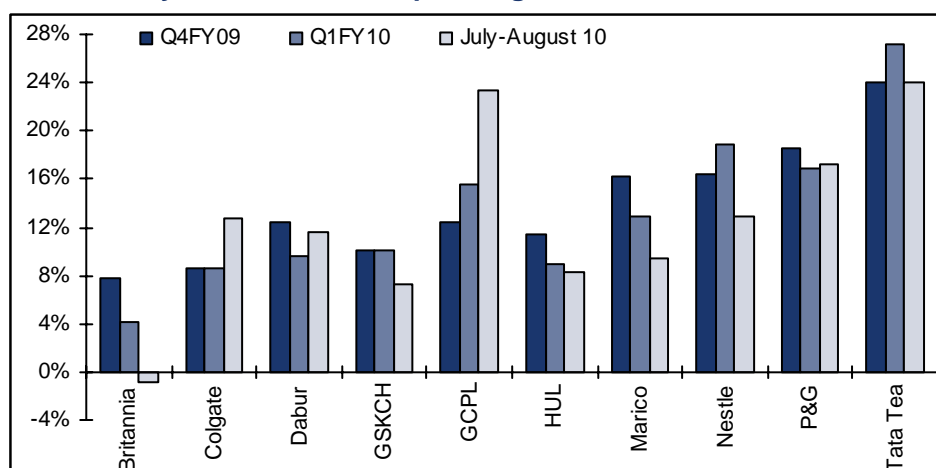
FMCG YoY sales growth at 14.2% in July-August '09 is marginally lower than 16.3% in Q1FY10. However, the same can be attributed to high base and lower inflation. Double-digit sales growth despite poor monsoons indicates significant resilience



Source: ACNielsen

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

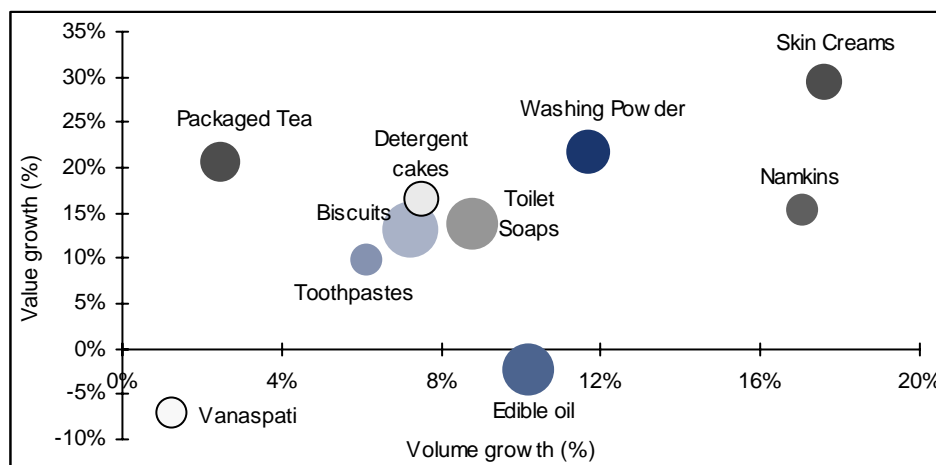
With reversion in inflation, sales growth for many companies has been mainly driven by volume growth. Hence, only six out of 10 companies witnessed higher than 10% YoY sales growth



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



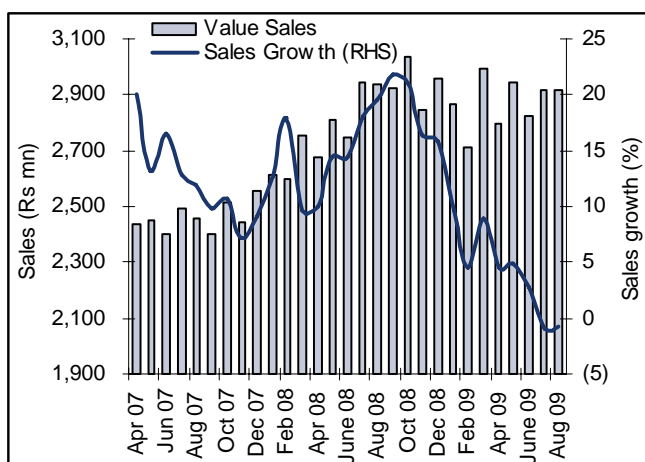
Source: ACNielsen

## Company-wise highlights

### Britannia Industries – Volume decline, a concern

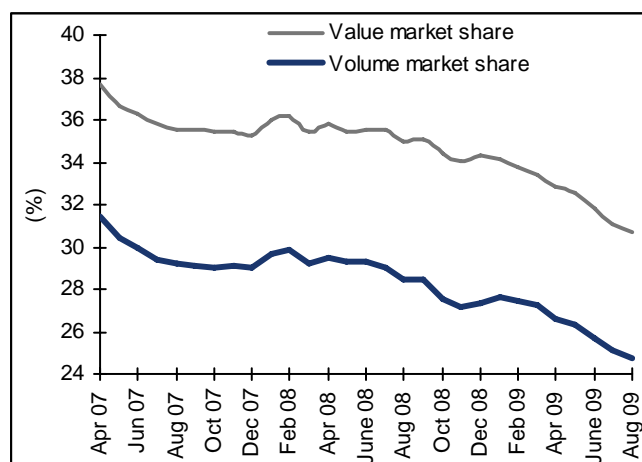
- Britannia's sales declined 0.9% YoY in July-August '09. More importantly, volumes declined 7.1% YoY in the same period. This volume decline in July-August '09 is in line with 6.5% YoY volume decline in Q1FY10. The volume loss was primarily on account of market share loss in categories such as Glucose.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

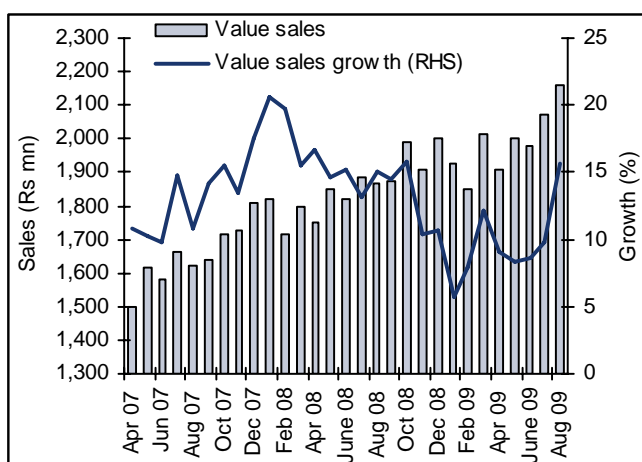


Source: ACNielsen

## Colgate-Palmolive India – Stable growth

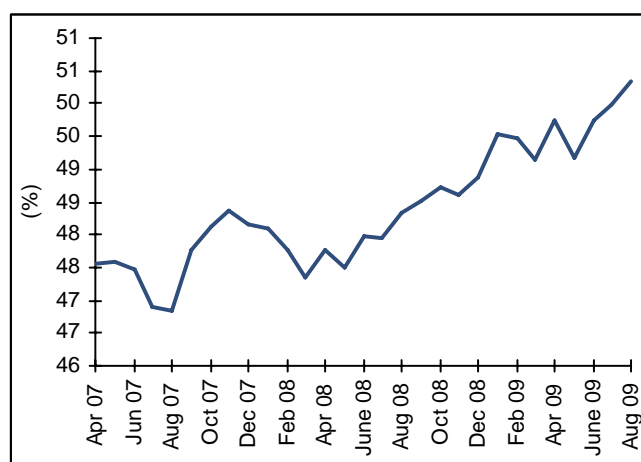
- Colgate's sales grew 12.7% YoY in July-August '09, higher than 8.7% YoY in Q1FY10.
- In the toothpaste category, the company's market share improved 200bps YoY to 50.2% in July-August '09. Toothpaste sales grew 14.4% YoY in July-August '09.
- Colgate's market share in toothpowder declined 170bps YoY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



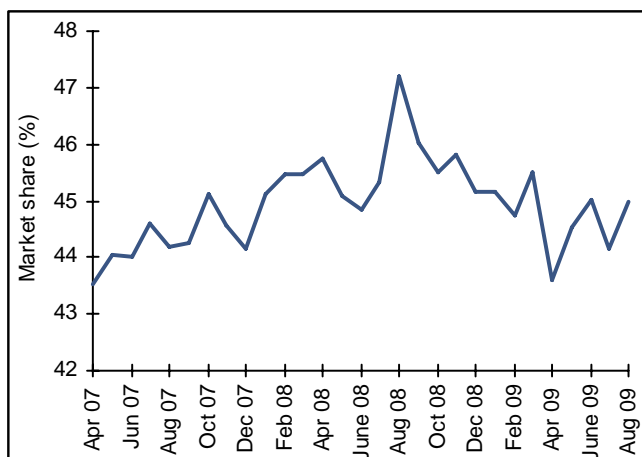
Source: ACNielsen

**Chart 7: Toothpaste – Gaining market share**



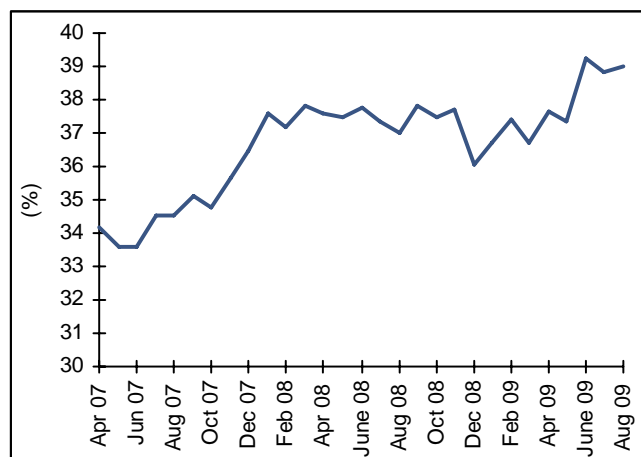
Source: ACNielsen

**Chart 8: Toothpowder – Decline in share**



Source: ACNielsen

**Chart 9: Toothbrush – Increase in share**

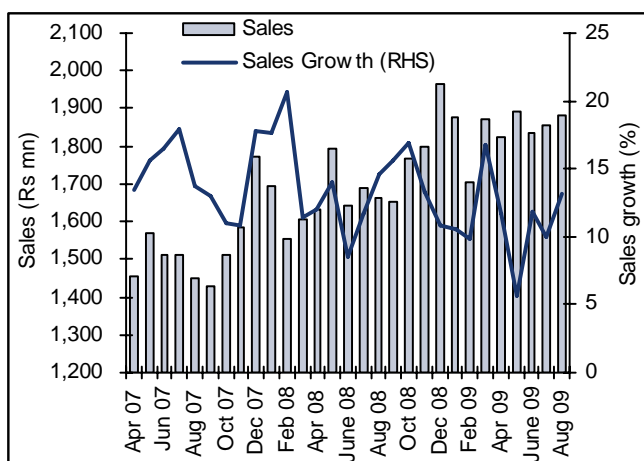


Source: ACNielsen

## Dabur – Steady growth

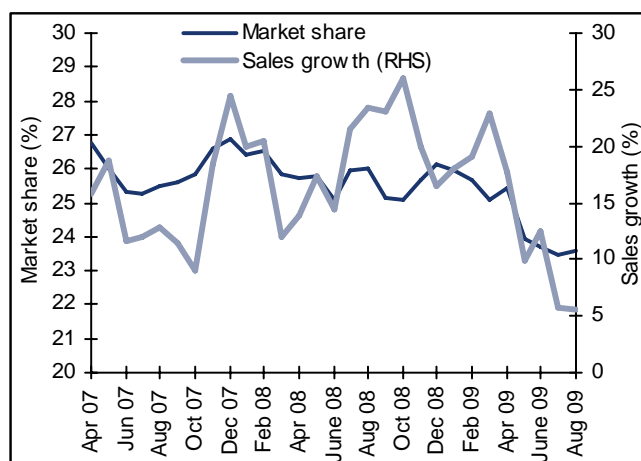
- Dabur's sales grew 11.5% YoY in July-August '09. While categories such as toothpaste and digestives witnessed higher growth than in Q1FY10; hair oil and toothpowder witnessed a moderation in growth.
- Dabur's market share in the hair oil category declined 245bps YoY to 23.5% in July-August '09. Hair 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



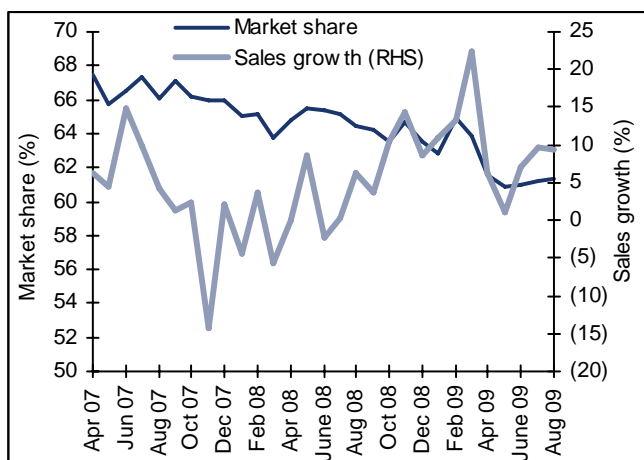
Source: ACNielsen

Chart 11: Hair oil – Decline in share



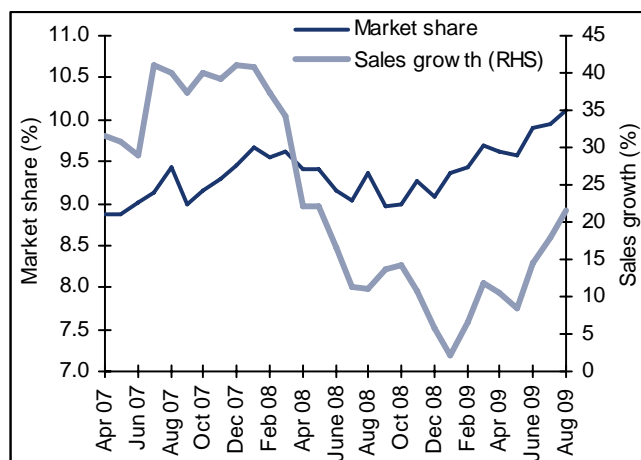
Source: ACNielsen

Chart 12: Digestives – Market share decline



Source: ACNielsen

Chart 13: Toothpaste – Market share rising

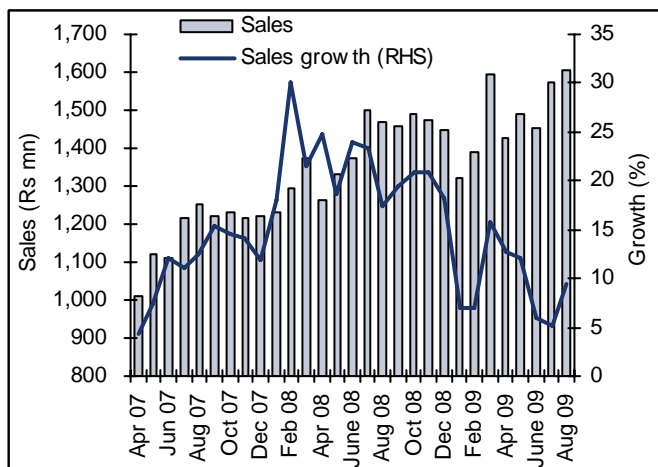


Source: ACNielsen

## GSKCH – Moderate growth

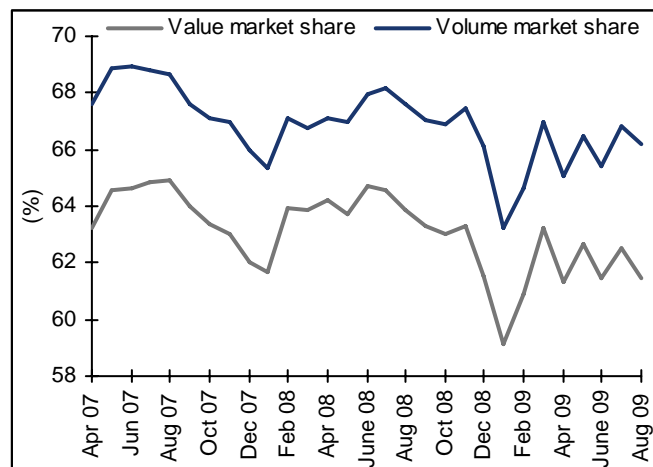
- GSKCH's sales grew moderately 7.2% YoY in July-August '09 on the back of 5.7% YoY growth in the beverages category. However, beverages market share declined 227bps YoY to 62% in July-August '09.
- Sales grew a moderate 6.2% YoY in *Horlicks* and were weak at 4% YoY in *Boost*. Biscuits witnessed a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

**Chart 14: GSKCH – Moderate growth**



Source: ACNielsen

**Chart 15: Beverages – Market share decline**

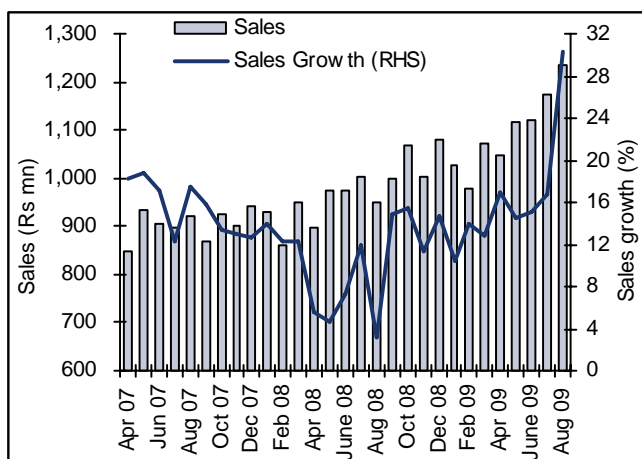


Source: ACNielsen

## GCPL – Strong sales growth

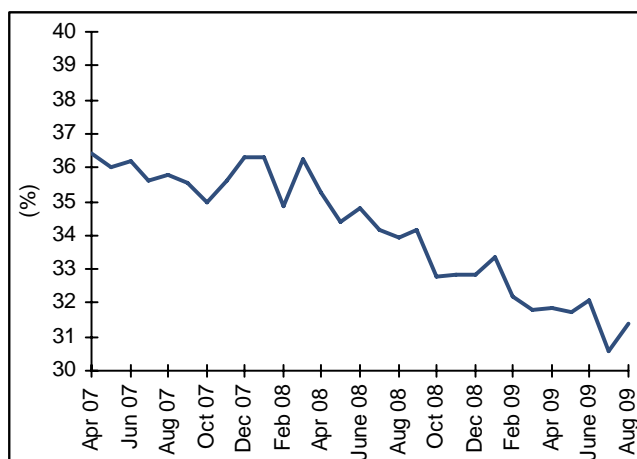
- GCPL posted strong sales growth of 23.3% YoY in July-August '09. Market share loss continued in hair dyes but toilet soaps continued to gain market share.
- Hair dyes market share declined 308bps YoY to 31.0% in July-August '09.
- Toilet soap market share increased 110bps YoY to 10.5% in July-August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

**Chart 16: GCPL – Strong sales growth**



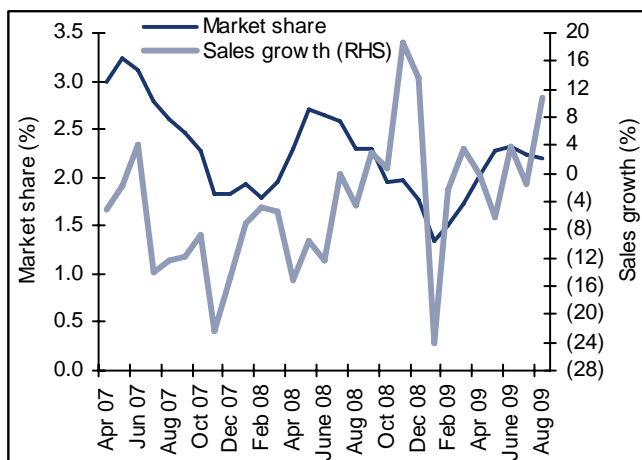
Source: ACNielsen

**Chart 17: Hair dyes – Market share decline continues**



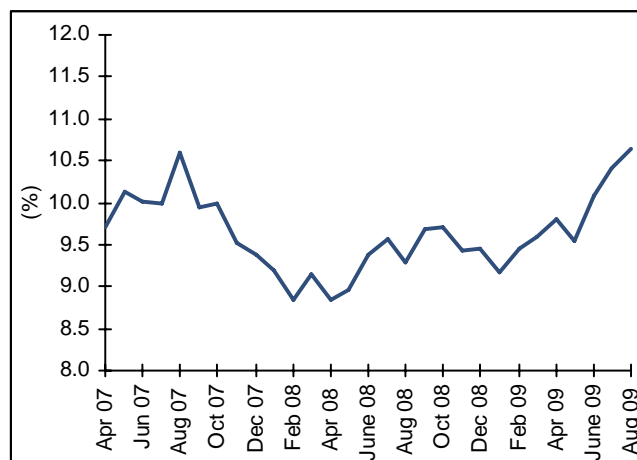
Source: ACNielsen

**Chart 18: Talcum powder – Market share stable**



Source: ACNielsen

**Chart 19: Toilet soaps – Market share increase**



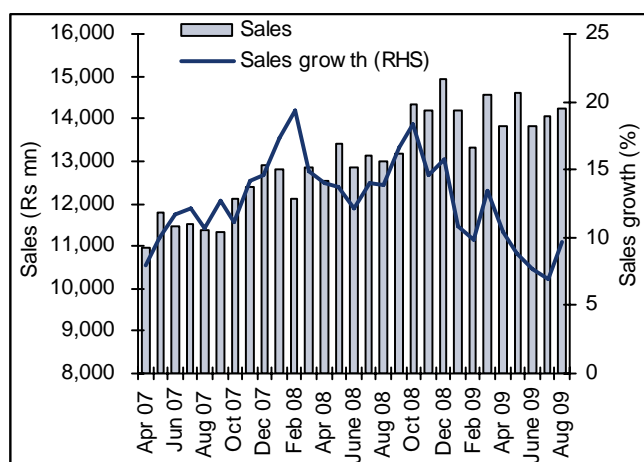
Source: ACNielsen



## HUL – Market share losses in key categories continue

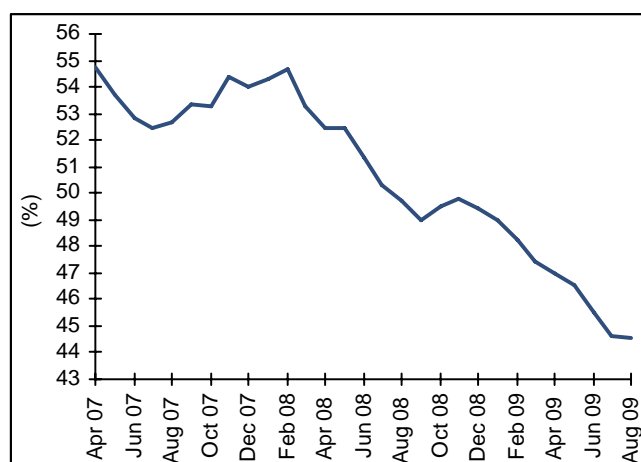
- HUL's sales grew 8.3% YoY in July-August '09. While the company has registered healthy sales growth in categories such as washing powder and skin creams, sales grew a muted 1.3% YoY in the all important toilet soaps segment. More importantly, despite healthy volume growth for the industry, HUL's volumes 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**

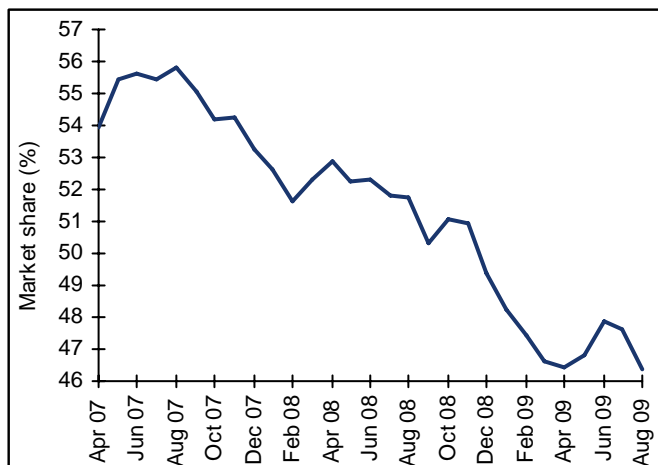


Source: ACNielsen

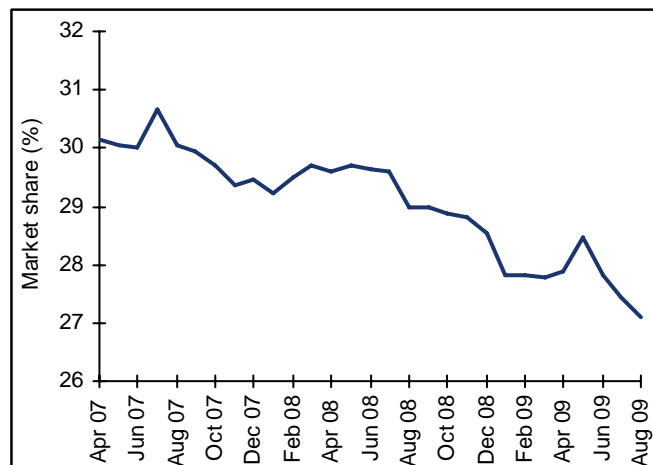
**Chart 21: Toilet soaps – Steep decline in share**



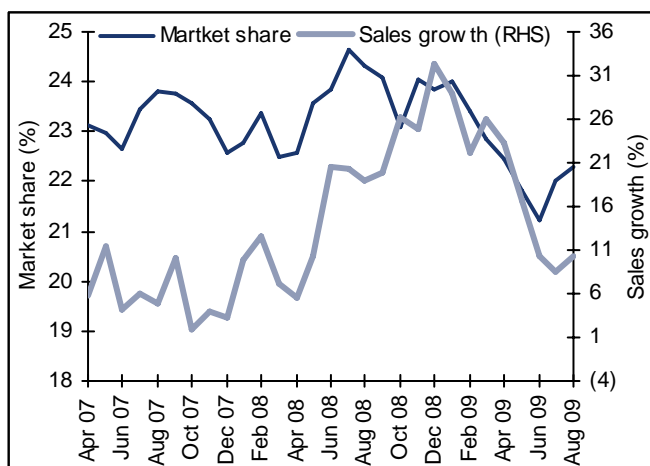
Source: ACNielsen

**Chart 22: Skin cream – Decline in market share**

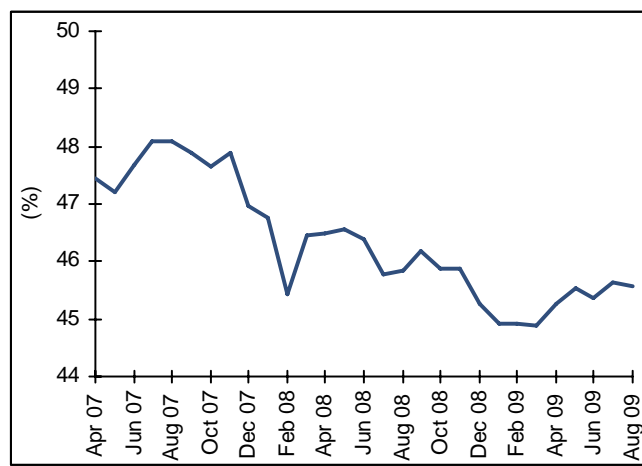
Source: ACNielsen

**Chart 23: Toothpaste – Declining share**

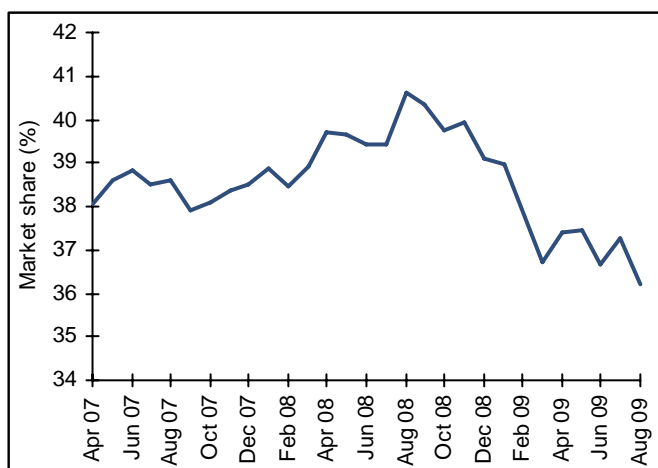
Source: ACNielsen

**Chart 24: Packaged tea – Marginal market share gain**

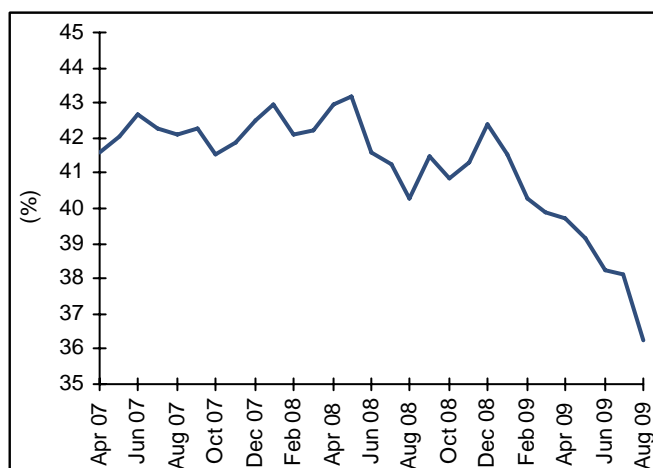
Source: ACNielsen

**Chart 25: Shampoo – Steady market share**

Source: ACNielsen

**Chart 26: Washing powder – Decline in share**

Source: ACNielsen

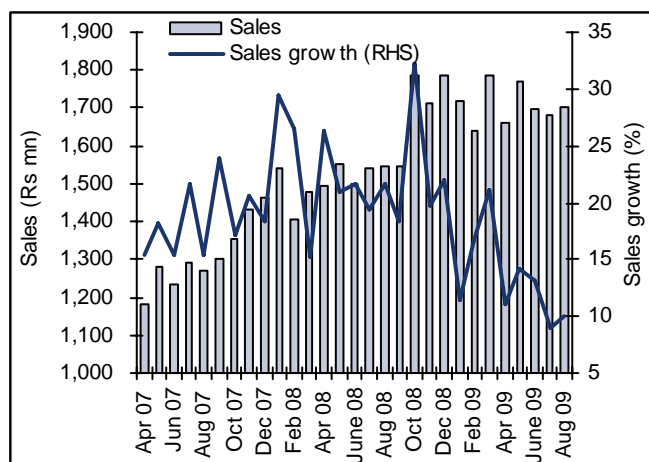
**Chart 27: Detergent cakes – Loss in market share**

Source: ACNielsen

## Marico Industries – Stable growth

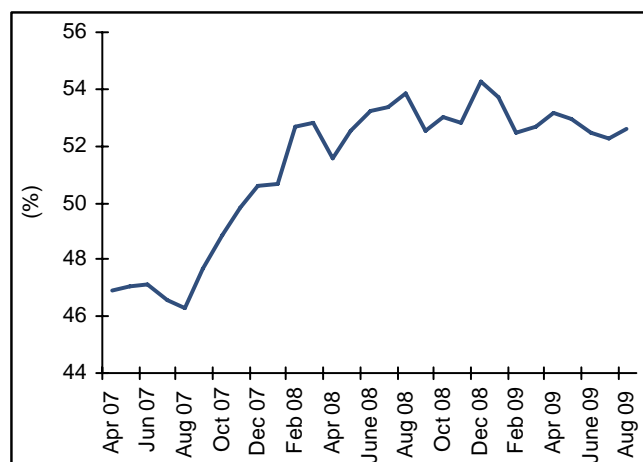
- Marico registered a 9.5% YoY growth in July-August '09, driven by rebound in the performance of edible oil and moderate performance in coconut oil & hair oil.
- Sales for the coconut oil category grew 10.9% YoY, with market share decreasing 121bps YoY to 52.4% in July-August '09. Hair oil grew 12.2% 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**



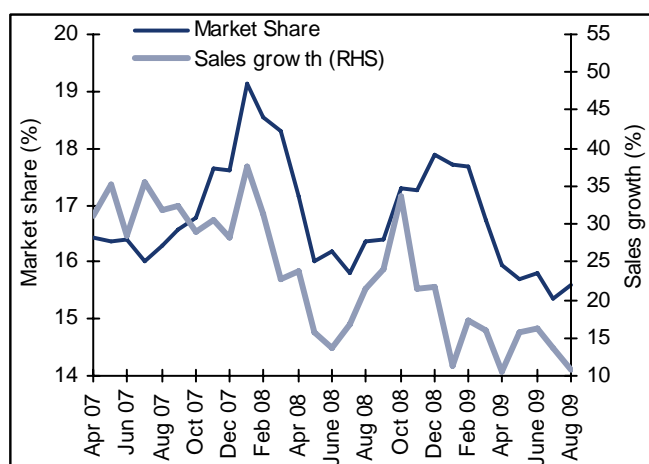
Source: ACNielsen

**Chart 29: Coconut oil – Market share flat**



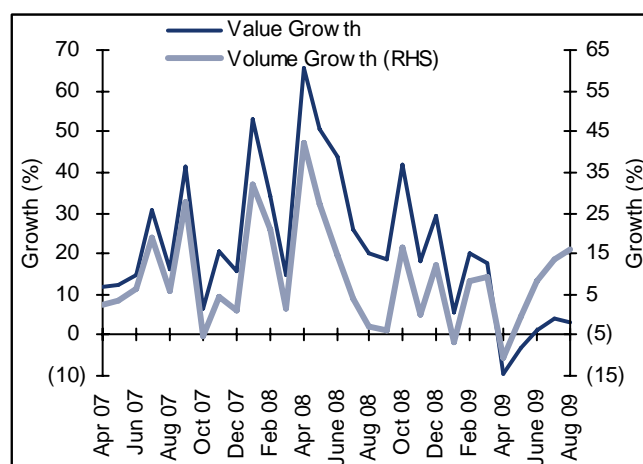
Source: ACNielsen

**Chart 30: Hair oil – Market share flat**



Source: ACNielsen

**Chart 31: Edible oil – Rebound in volume growth**

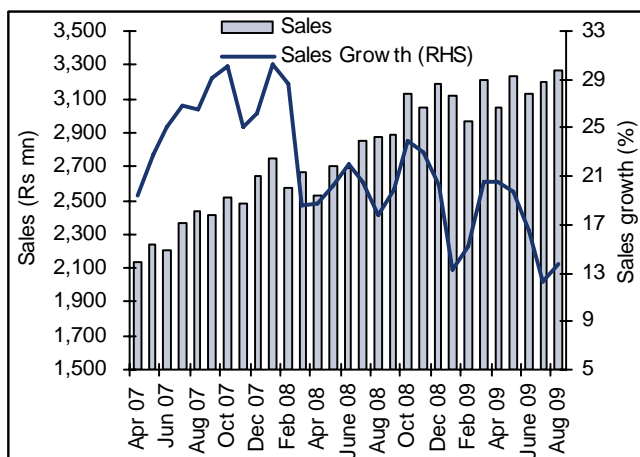


Source: ACNielsen

## Nestlé India – Steady all round growth

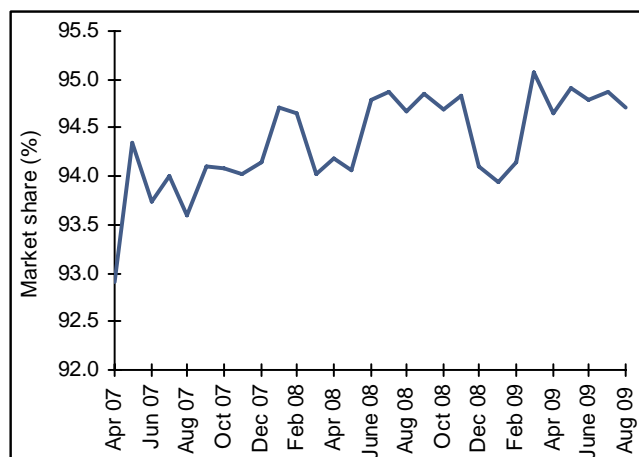
- On a high base, Nestlé's sales grew 13% YoY in July-August '09 on the back of steady growth in all categories.
- Baby foods' sales grew 14.9% YoY. Market share remained steady at 94.8% in July-August '09.
- Noodles' sales grew 12.1% YoY in July-August '09, with market share declining 456bps to at 61.2% 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**



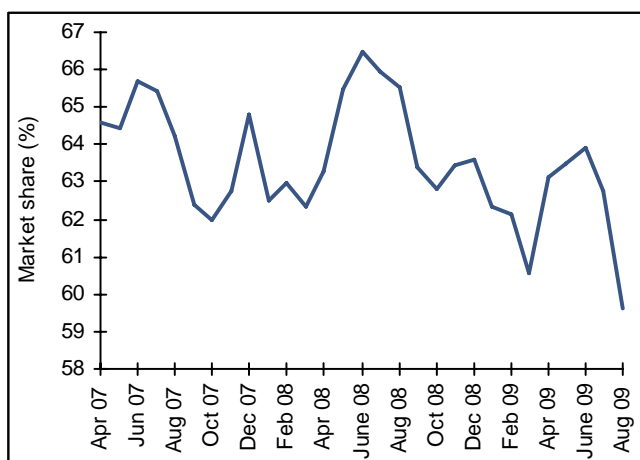
Source: ACNielsen

**Chart 33: Baby food – Steady share**



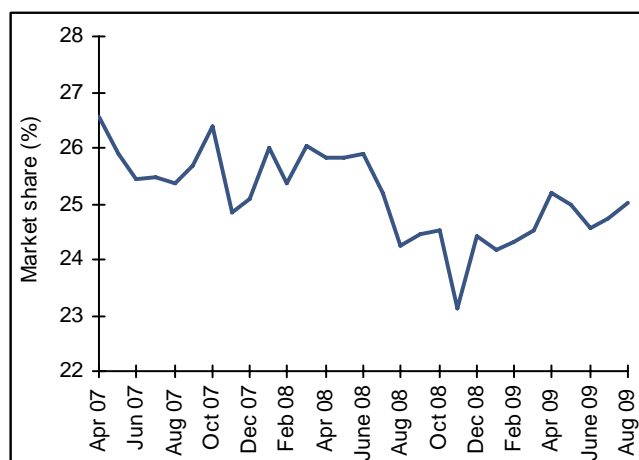
Source: ACNielsen

**Chart 34: Noodles – Marginal loss in share**



Source: ACNielsen

**Chart 35: Chocolates – Marginal improvement**

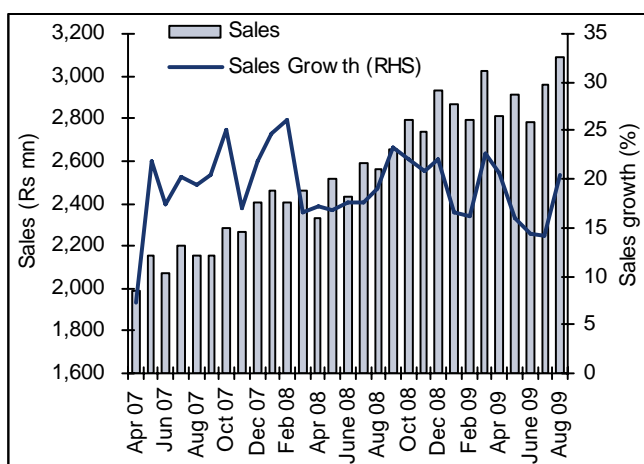


Source: ACNielsen

## Procter & Gamble – Robust growth

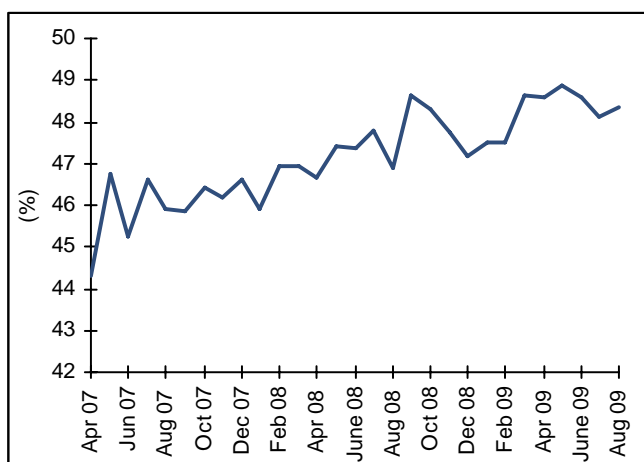
- Procter & Gamble's (P&G) sales grew 17.3% YoY in July-August '09, largely driven by strong growth in washing powder, rubefacient and sanitary napkins.
- P&G's shampoo sales increased 8.5% YoY in July-August '09. Market share declined 114bps YoY in July-August '09 to 23.5%.
- Washing powder volumes 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**



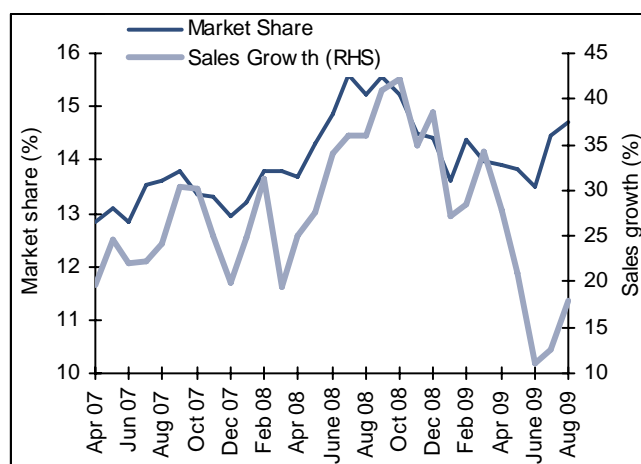
Source: ACNielsen (Note – The sales is sum of all entities of P&G in India)

**Chart 38: Sanitary napkins – Increase in market share**



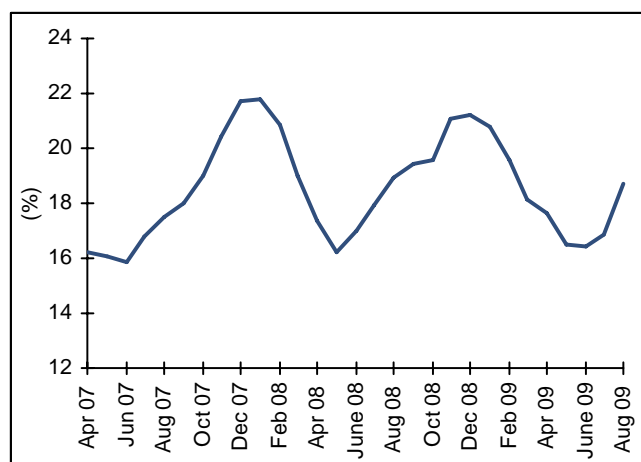
Source: ACNielsen

**Chart 37: Washing powder – Marginal decline**



Source: ACNielsen

**Chart 39: Rubefacients – Steady market share**

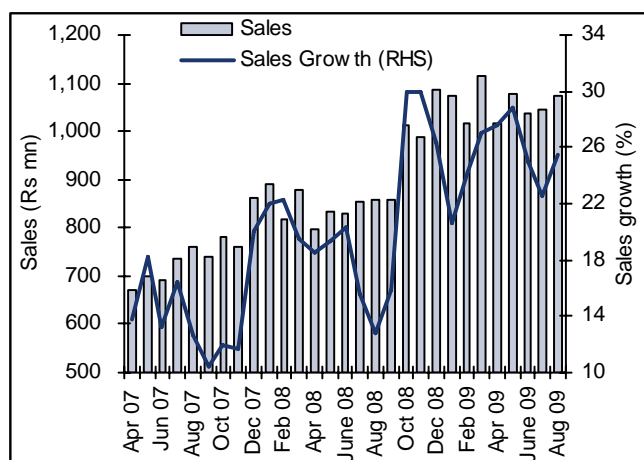


Source: ACNielsen; Note that market share volatility is due to seasonality.

## Tata Tea – Price-led growth

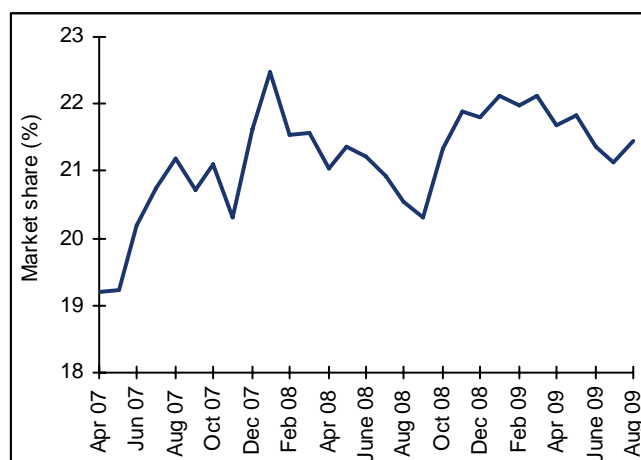
- Tata Tea's sales increased sharply 24% YoY in July-August '09. Its market share increased 56bps YoY to 21.3%. The sales increase was more on the back of price increases (due to sharp increase in input costs) as volumes declined 2.8% YoY.
- The growth has been driven by regional brands such as *Gemini*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

We I, *Sanjay Singh, BE, PGDM* research analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the ICICI Securities Inc.

**Disclosures:**

ICICI Securities Limited (ICICI Securities) and its affiliates are a full-service, integrated investment banking, investment management and brokerage and financing group. We along with affiliates are leading underwriter of securities and participate in virtually all securities trading markets in India. We and our affiliates have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. Our research professionals provide important input into our investment banking and other business selection processes. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their dependent family members from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on reasonable basis, ICICI Securities, its subsidiaries and associated companies, their directors and employees ("ICICI Securities and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities is acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgement by any recipient. The recipient should independently evaluate the investment risks. The value and return of investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities and affiliates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities and its affiliates might have managed or co-managed a public offering for the subject company in the preceding twelve months. ICICI Securities and affiliates might have received compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. ICICI Securities and affiliates expect to receive compensation from the companies mentioned in the report within a period of three months following the date of publication of the research report for services in respect of public offerings, corporate finance, investment banking or other advisory services in a merger or specific transaction. It is confirmed that *Sanjay Singh, BE, PGDM* research analysts and the authors of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months. Our research professionals are paid in part based on the profitability of ICICI Securities, which include earnings from Investment Banking and other business.

ICICI Securities or its affiliates collectively do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

It is confirmed that *Sanjay Singh, BE, PGDM* research analysts and the authors of this report or any of their family members does not serve as an officer, director or advisory board member of the companies mentioned in the report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. ICICI Securities and affiliates may act upon or make use of information contained in the report prior to the publication thereof.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

---