INSTITUTIONAL RESEARCH

Sector Thematic

FMCG

Opportunity in adversity - A comparative scorecard

This report has analysed key strategic initiatives and quality of execution across our FMCG coverage over the past five turbulent years (FY15-20). The report dissects the financial performance and also operational metrics such as track record of new product launches and distribution initiatives. We have ranked companies across the following key parameters, viz., (A) Product Innovation (B) Distribution Initiatives (C) Cost Efficiencies, and (D) Capital Efficiencies.

FMCG sector has underperformed Nifty by 42% since our cautious stance in April '20 initiation (link). Valuation premium for select stocks has narrowed down to reasonable levels and looks particularly attractive compared to richly valued (~80x forward PE) consumer discretionary segments (Paints, QSR, Jewellery, and Retail). While absolute PE-rating still looks unlikely, we see a more balanced risk-reward now for the FMCG sector for FY22/FY23 with earnings led stock price returns.

We roll forward our valuation to Mar '23 EPS (earlier Sep '22) along with a change in valuation multiple for various companies. We maintain BUY rating for ITC and ADD rating for UNSP, Colgate and Radico. We also upgrade our rating for DABUR (strong healthcare portfolio), MARICO (improving core and foods) and GCPL (Health, Hygiene categories and Africa turnaround) from REDUCE to ADD, given improving business fundamentals and balanced risk-reward.

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HDFC securities 20 YEARS

FMCG

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Product Innovation: This section has mapped FMCG companies' innovations over the past seven years and arrived at a sector and companies' success rate. The sector's overall success rate has been ~30% (or 3 out of 10 innovations), derived from the success rate of all the nine FMCG companies put together. The Top-3 companies on this parameter are ITC, HUL and GCPL.

Distribution Initiatives: Direct reach expansion was among the key focus areas for most companies over the past five years. Companies have not only focused on reach but also focused on efficient distribution. Top-3 companies on this parameter are BRITANNIA, COLGATE and JUBILANT. FMCG companies have also increased the thrust on futuristic channels (MT, Ecomm) to drive demand in the urban market. We have observed a healthy shift in the GT channel to MT+Ecomm in the past five years. Top-3 companies in this parameter are JUBILANT, MARICO and HUL.

Cost Efficiencies: EBITDA margin expansion, driven by ex-RM cost savings, was the criteria for ranking. Top-3 companies based on driving cost efficiencies were HUL, UNSP and JUBILANT with cumulative savings of ~300-400bps as % of sales.

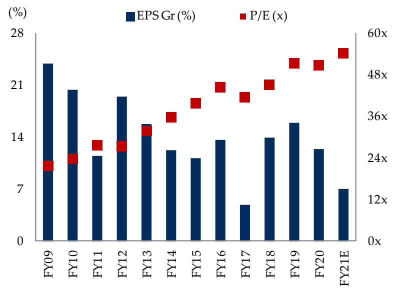
Capital Efficiencies: It covers variables like FCF/EBITDA, FCF/APAT, revenue/Capex, capital allocation on international business and capital allocation on acquisitions. Top-3 companies in terms of improvement in this metric are NESTLE, UNSP and JUBILANT due to lower capex and working capital.

Outlook on the sector: Sector has witnessed growth divergence in 1HFY21 with essential and packaged food categories growing significantly. We expect growth divergence to largely normalise in FY22. Essential categories are cooling off from elevated levels while weaker performing categories (QSR, BPC, Cigarette, etc.) are expected to recover in FY22. RM inflation is high, particularly crude-led; thereby price hikes and lower promotions are expected in FY22. Earnings growth will be largely topline led with stable to modest increase in margins. Health, hygiene and packaged foods have multi-year growth tailwinds, given low penetration levels and changing lifestyles.

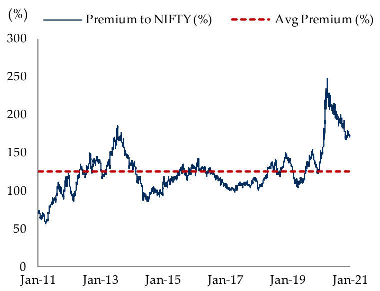
Valuation premium narrowed down, offers upside for a few: We expect that, with stability in trade channel, supply chain and consumption trend, companies' initiatives will play a key role in driving growth in FY22/FY23. Companies like DABUR, MARICO and GCPL are taking several initiatives to help lift growth in the medium term. Thereby, we are upgrading them from REDUCE to ADD. Sector bellwethers HUL and NESTLE continue to execute well but still do not offer absolute upside in our base case and, thus, we maintain REDUCE on them.

Companies	CMP (Rs)	TP (Rs)	Reco.
HUL	2,390	2,315	REDUCE
ITC	202	243	BUY
Nestle	18,295	16,326	REDUCE
Britannia	3,575	3,589	REDUCE
Dabur	540	544	ADD
GCPL	750	786	ADD
Marico	425	450	ADD
UNSP	586	640	ADD
Colgate	1,614	1,722	ADD
Jubilant	2,912	2,204	REDUCE
Emami	457	405	REDUCE
Radico	477	546	ADD

Sector Earnings vs. Valuation (Ex-ITC)



Sector (Ex-ITC) Valuation Premium (12-month) Over Nifty-50



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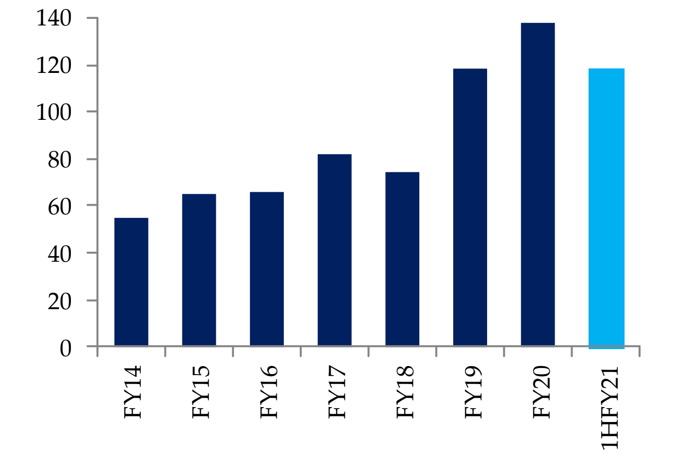
Contents

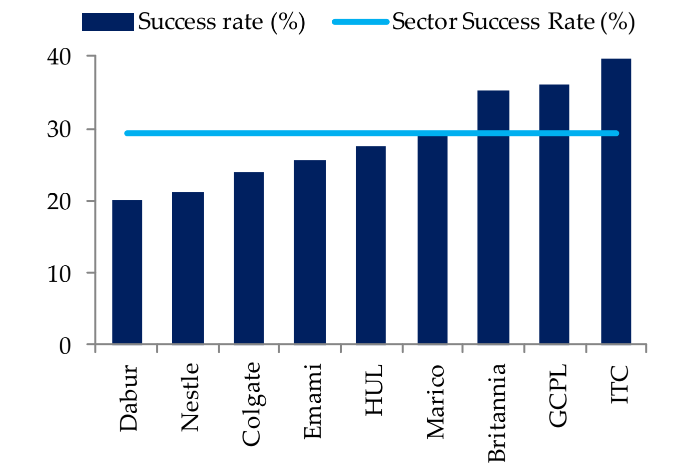
Focus Chart

Exhibit 1: Total Launches: 1HFY21 has seen more aggression



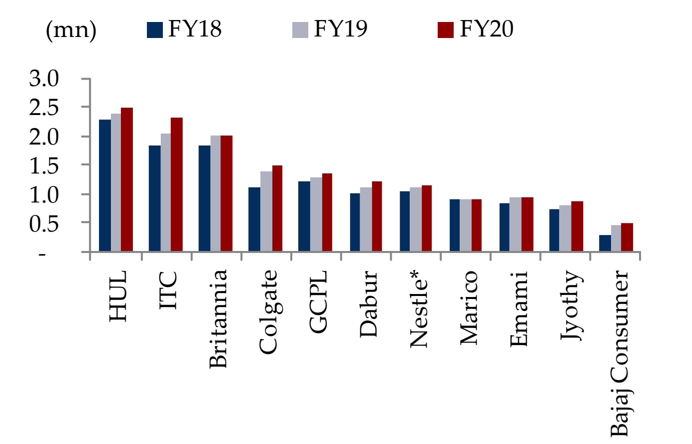
Source: Companies, HSIE Research

Exhibit 2: Company-wise Success Rate FY14-20



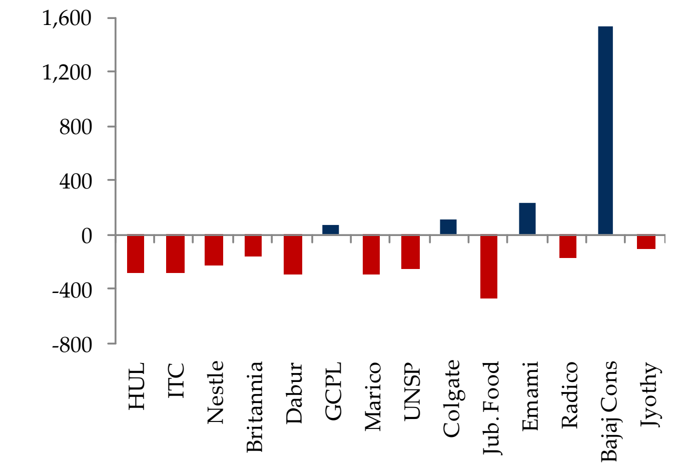
Source: Companies, HSIE Research

Exhibit 3: Direct Reach Expansion



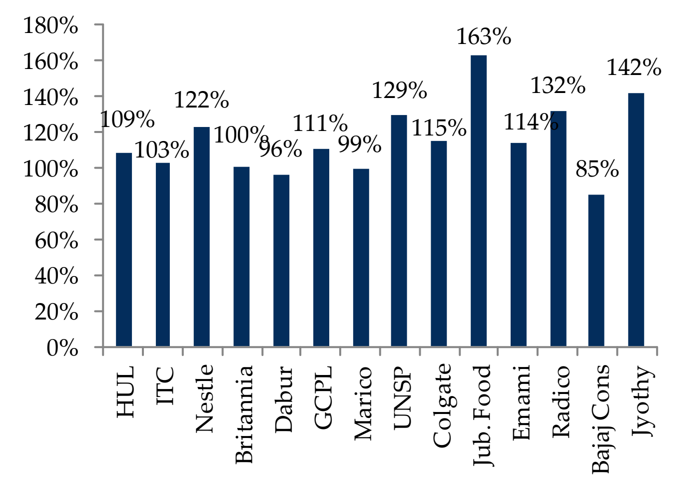
Source: Companies, HSIE Research

Exhibit 4: Ex-RM Cost (% of Rev) change in FY20 vs. FY16 (bps)



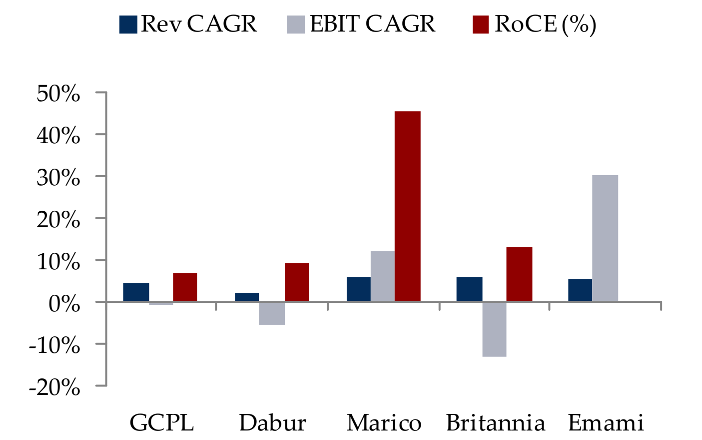
Source: Companies, HSIE Research

Exhibit 5: Cumulative FCF/EBITDA (FY14-20)



Source: Companies, HSIE Research

Exhibit 6: Capital allocation on international business



Source: Companies, HSIE Research

Comparative Study

This report has analysed annual reports of FMCG companies of the past five years (FY15-20) to understand each company's strategic initiatives and result of the same. We have classified the entire analysis into (A) Product Innovation, (B) Distribution Initiatives, (C) Cost Efficiencies, and (D) Capital Efficiencies. Our focus is based on companies' initiatives and investments across these parameters in the past five years. We have also ranked companies for each parameter to highlight strategic initiatives taken by each of them.

We have also captured company-wise annual report takeaways of the past five years (Link).

Exhibit 7: Strategic Initiatives Scorecard

Company	(A) Product Innovation	(B) Distribution Initiatives	(C) Cost Efficiencies	(D) Capital Efficiencies
HUL	High	Medium	High	High
Nestle	Medium	Medium	Medium	High
ITC	High	High	Medium	Low
Dabur	High	Medium	Medium	Medium
Britannia	High	High	High	Medium
Colgate	Medium	High	Medium	High
GCPL	High	Medium	Medium	Medium
Marico	Medium	Low	High	Medium
Emami	Medium	High	Low	Low
Jubilant	High	High	High	High
UNSP	Low	Medium	High	High
Radico	Medium	Medium	Medium	Medium
Rank 1	ITC	BRITANNIA	HUL	NESTLE
Rank 2	HUL	COLGATE	UNSP	UNSP
Rank 3	GCPL	JUBILANT	JUBILANT	JUBILANT

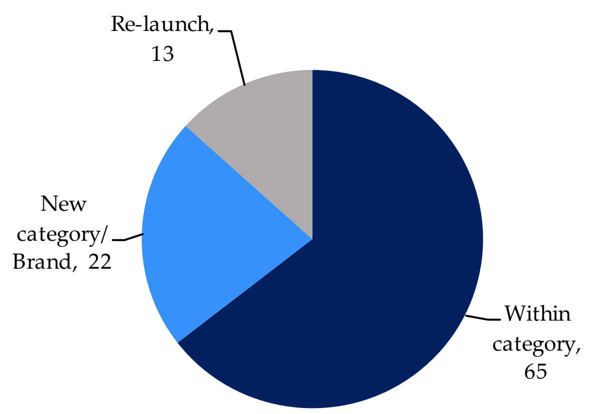
A. Product Innovation

In this section, we have mapped FMCG companies' innovations over the last 7 years and arrived at a sector and companies' success rate. The success rate has been arrived at as a total number of successful innovations in a year divided by the total number of innovations.

FMCG industry faced stagnation in growth over the last few years led by disruptions like GST and demonetisation and the broader economic slowdown. Hence, companies have resorted to launching innovative products to drive growth. The pace of innovation saw a sharp increase in FY19 and FY20 as most FMCG companies expanded into new categories and broadened their portfolio in existing ones.

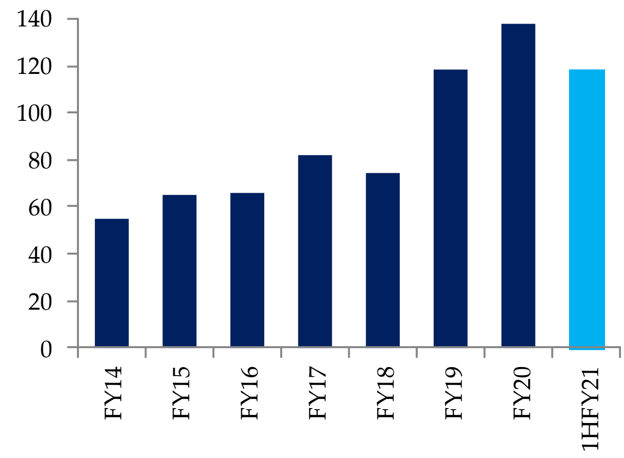
We have conducted this exercise with our coverage universe of nine consumer companies (Britannia, Colgate, Dabur, Emami, GCPL, HUL, ITC, Marico and Nestle) for our analysis and found that a total of close to 600 relevant innovations were done in the last 7 years ranging across relaunches, launches within existing categories, and launches in new categories.

Exhibit 8: Launches by category during FY14-20 (%)



Source: Companies, HSIE Research

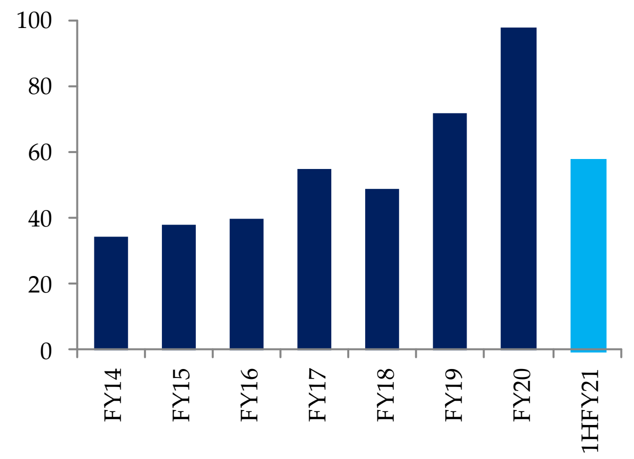
Exhibit 9: Total Launches: 1HFY21 has seen more aggression



Source: Companies, HSIE Research

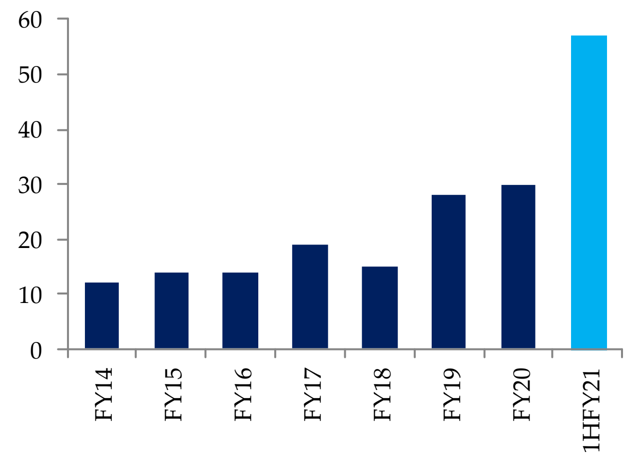
New launches have grown over the last two years, after a stagnation period as companies attempted to revive revenue growth. This growth is led by launches in existing and new categories, as illustrated below.

Exhibit 10: New launches within existing categories



Source: Companies, HSIE Research

Exhibit 11: New launches in new categories

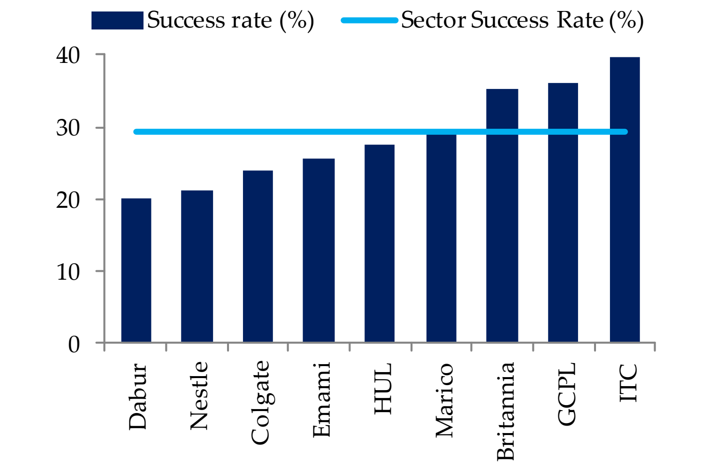


Source: Companies, HSIE Research

The sector's overall success rate has been ~30% (or 3 out of 10 innovations), derived from the success rate of all the 9 FMCG companies put together. ITC leads the pack with the highest cumulative success rate over the last 7 years of about 40%, followed by GCPL/Britannia, which saw a success rate of 36/35%.

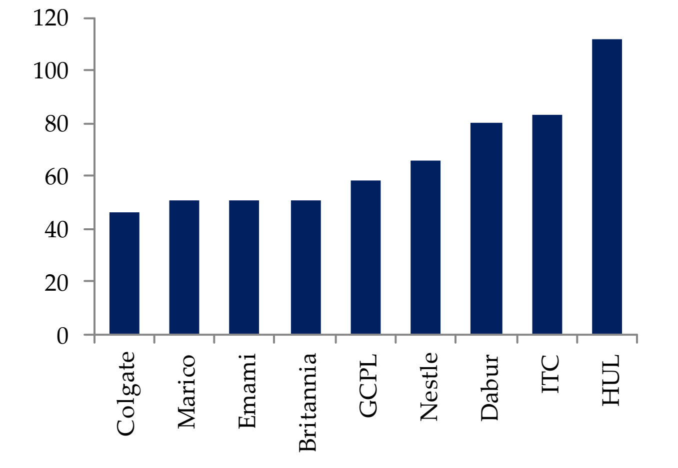
However, as far as total innovations are concerned, HUL tops the list with 112 relevant new launches over the last 7 years (19% of total), followed by ITC at 83 launches (13% of total) and Dabur at 80 launches (with 12% of total). Despite ranking among the two most successful innovation companies, GCPL launched only 58 products (10% of total), suggesting that management has focused on strategic launches and invested behind its brands. HUL's success rate of 28% is below the sector average, and the high number of launches by the company points to lower efficacy in innovation by the company.

Exhibit 12: Company-wise Success Rate FY14-20



Source: Companies, HSIE Research

Exhibit 13: Company-wise Total Launches FY14-20

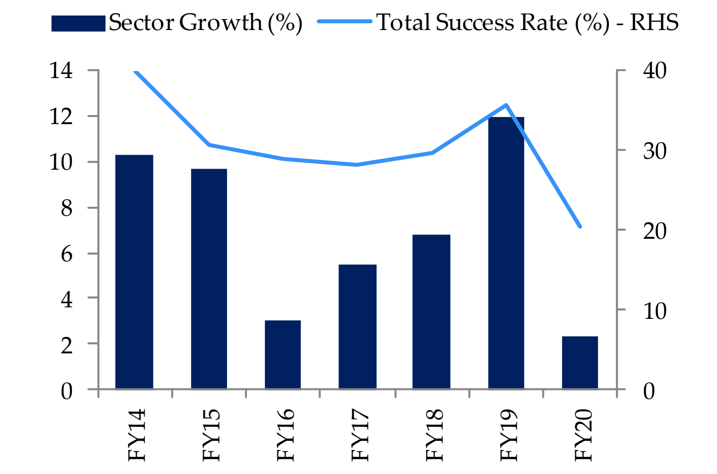


Source: Companies, HSIE Research

New Launches Success Rate

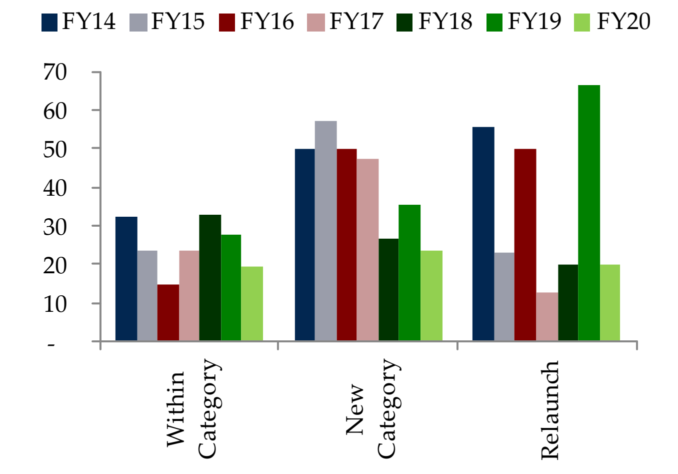
We found that the success rate of innovations is highly co-related to the growth rates in the sector. During periods of strong growth, success rates were high, and they have come down as the sector growth rates tapered off despite a pick-up in total innovations. The success rate varied depending on whether the innovation is within an existing category, a new one, or a relaunch. On average, new launches' success rate has been the highest for a new brand/category, followed by relaunches. The success rate is least for launches made within existing categories.

Exhibit 14: Success rate dipped due to lower industry growth



Source: Companies, HSIE Research

Exhibit 15: Success rate according to category

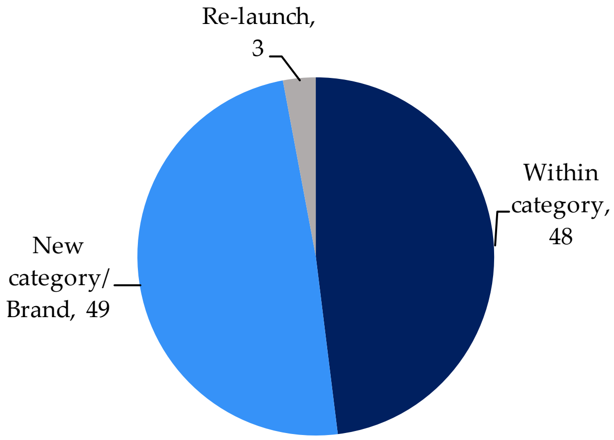


Source: Companies, HSIE Research

Aggressive traction in 1HFY21

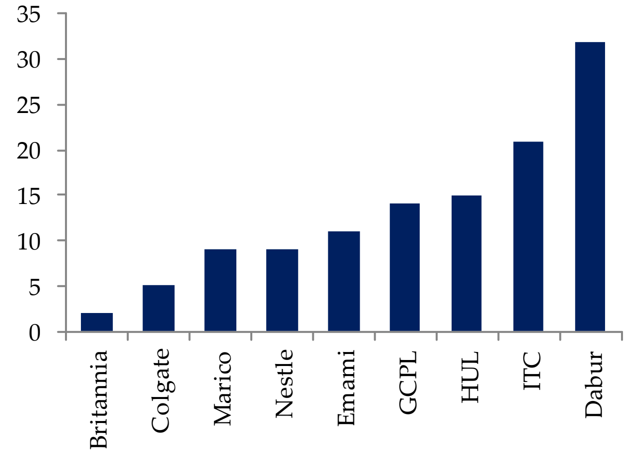
COVID-19 saw a flurry of new launches by most FMCG companies with a high focus on hygiene and healthcare. Almost every company in the sector and several companies in other sectors launched hand sanitisers, leading to a highly crowded market. We have mapped out some key new launches of FY21 by companies in our coverage universe and some notable points about these launches.

Exhibit 16: Launches by category during 1HFY21 (%)



Source: Companies, HSIE Research

Exhibit 17: Company-wise Total Launches in 1HFY21



Source: Companies, HSIE Research

Company	Particulars	Product range
HUL	- HUL launched 100+ SKUs in 1HFY21 with a focus on the hygiene category. - Expansion of products like Domex to pan-India saw a strong response and co was able to capitalise on the hygiene trend. - Lifebuoy sanitizer helped drive penetration for the brand. - Co also scaled Boost to pan-India to capitalise on the increased focus on nutrition.	
Nestle	- Nestle has focused its launches on packaged foods, which saw a surge in demand during the lockdown. - Co is also entering fried rice seasoning in 2HFY21 and it has now extended Poha and Upma into the meals-in-a-bowl category to strengthen its presence in the travel segment.	

Company	Particulars	Product range
ITC	- ITC saw strong growth during 2QFY21 within 75% of its FMCG portfolio comprising foods, healthcare and hygiene (up 25% YoY). - Growth was supported by 70+ new launches made by co during 1HFY21, primarily in the hygiene category. - Co also made several new launcheswithin its food portfolio to capitalised on the increased demand for packaged food during the lockdown. - Value-added variants of Aashirwaad atta helped co consolidate its market share in the segment.	
Dabur	- Dabur focused its launches on healthcare and hygiene category with a strong expansion in health supplements. Increased awareness around health led to a rise in demand for immunity boosting supplements, which co could capitalise on. - Co also expanded its Foods portfolio as demand for in-home consumption returned to growth in 2QFY21. While OOH continues to be muted, revival in large packs has supported Revenue in the category.	
Britannia	Britannia focused on scaling its product offering in the market and the company made limited new launches during this period.	 
Colgate	- Colgate continued its innovation during 1HFY21 with the launch of Colgate Vedshakti Mouthspray in a pocket-sized pack. Co continued expanding its toothpaste portfolio with Colgate Visible White Instant's launch in the teeth whitening toothpaste category. - Co also launched a new Colgate Gentle range of toothbrushes along with a relaunch of Colgate ZigZag. - Earlier in 1QFY21, Colgate entered hand sanitisers under the Palmolive brand.	

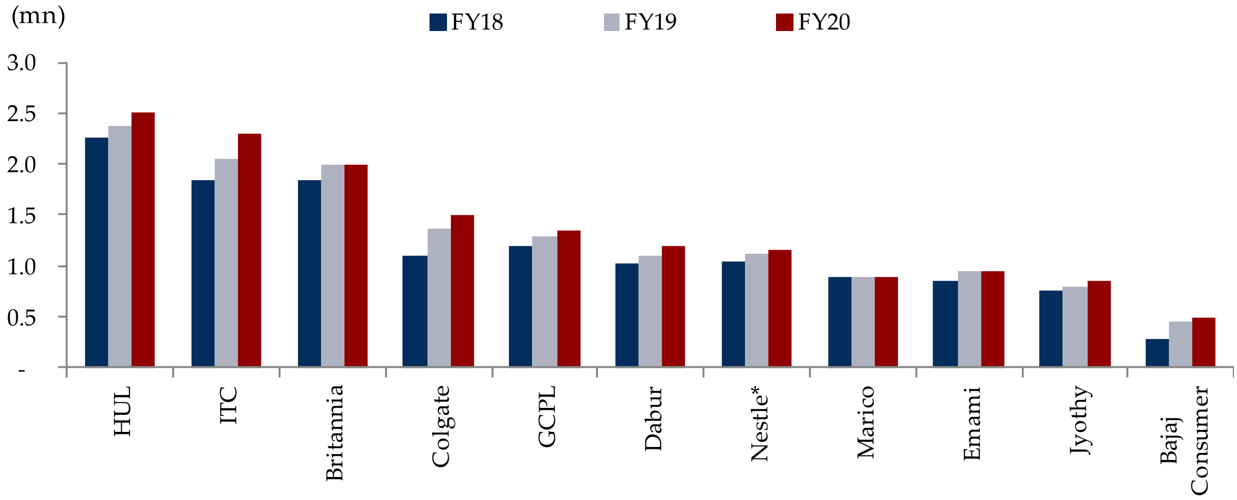
Company	Particulars	Product range
GCPL	- GCPL sustained its focus on innovation and expanded its presence in the hygiene range at a high pace. It scaled the Protekt brand across all hygiene products in 1HFY21. - In 1QFY21 itself, the company launched 45 new products in response to the surge in demand for hand sanitisers, hand washes, soaps and other hygiene products. - Brands such an Aer and Ezee were also expanded to include sanitising variants.	
Marico	- Marico strengthened its healthcare and hygiene portfolio during 1HFY21 with several innovative launches in the categories - Co entered two major segments with the launch of Saffola Honey and Saffola Arogyam Chyawan Amrut (Chyawanprash) which saw a strong response. Saffola Honey captured 8% share in MT. - It also launched Ayurvedic recipes in the Saffola ImmuniVeda range.	
Emami	- Emami launched an entire range of Hygiene products under the BoroPlus brand. - Co also scaled up Ayurveda offerings under Zandu to capitalise on the increased focus on health. - Additionally, Emami also made some exclusive launches on e-comm to drive growth from the channel. - Aside from new launches, Emami relaunched F&H as a radiance cream and a facewash.	

B. Distribution Initiatives

Distribution Reach

Most companies have focused on distribution expansion over the past five years to further improvement in penetration. A large part of the distribution expansion has happened in the semi-urban and rural markets. Companies have also focused on the efficient expansion of distribution and thereby improved their direct reach. There has been a healthy improvement in the direct reach (~20% of the total reach). It gives companies required control of supply chain and inventory management.

Exhibit 18: Direct Reach Expansion

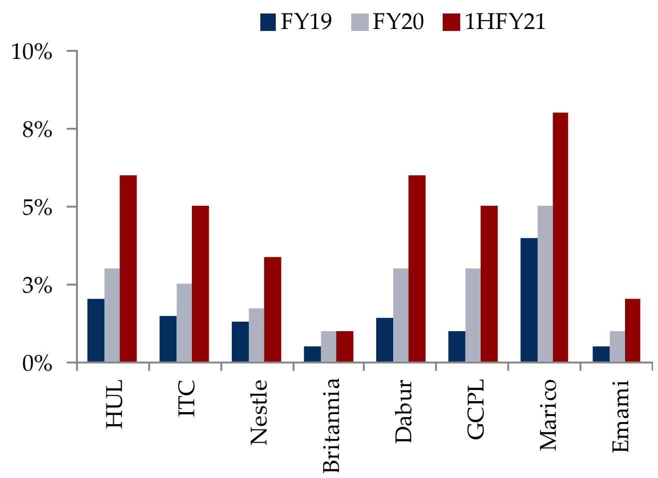


Source: Companies, Industry, HSIE Research *Nestle: Estimated (based on 25% of total reach)

Futuristic Channel

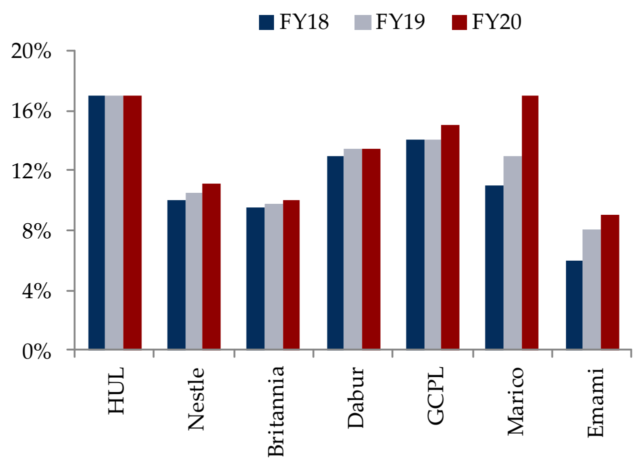
FMCG companies have focused on the futuristic channel (MT, Ecomm) to drive demand in the urban market. We have observed a healthy shift in the GT channel to MT+Ecomm in the last 5 years. Moreover, Ecommerce has seen a sharp jump in 1HFY21 while MT was soft during this period. Demand in GT was strong in 1HFY21 driven by the national and localized lockdown. Much investment has been made by big players in this futuristic channel, and disruption is expected in the coming years. However, all these disruptions will eventually provide a better platform for leading FMCG companies.

Exhibit 19: Rising E-comm Share



Source: Companies, Industry, HSIE Research

Exhibit 20: MT, a critical channel for most companies



Source: Companies, Industry, HSIE Research

C. Cost Efficiencies

We compared the companies' performance over the last 5 years based on cost-saving measures to gauge the efficiency of the managements. We have also presented the incremental change over the past five years in various parameters.

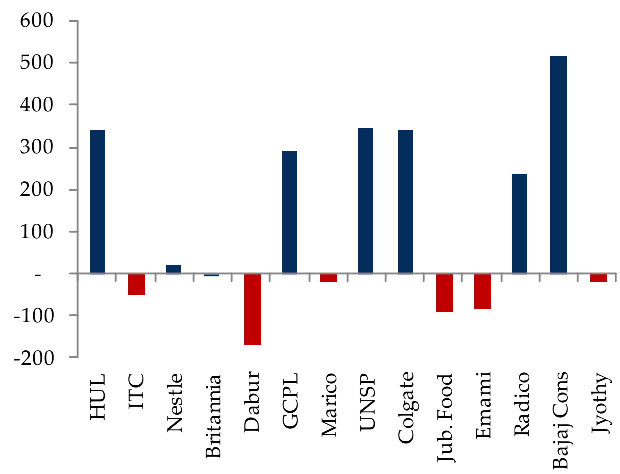
Continued focus on margin expansion led to improved cost structures for most companies in the sector. The following chart compares the ex-RM cost as a % of revenue for companies in FY20 and FY16. While companies Colgate, Emami, GCPL and Bajaj Cons were unable to improve their cost structure, other companies saw margin improvement, driven by cost-saving initiatives.

The following table highlights the cost structure for companies in the universe. While most companies spent 8-10% of revenue on ASP, HUL, Colgate, Emami and Bajaj Cons continued to invest heavily on their brands.

Exhibit 21: Overall Cost % of Sales (FY20)

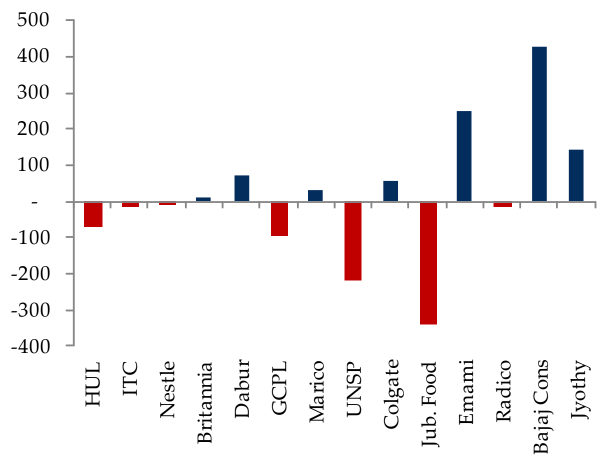
% of Revenue	RM & Packaging	Employee	Advertising	Distribution	Power & Fuel	Royalty	Other Overheads	Total Expenses
HUL	46%	5%	12%	4%	1%	3%	6%	75%
ITC	35%	9%	2%	3%	2%	0%	11%	61%
Nestle	42%	10%	6%	4%	3%	4%	6%	77%
Britannia	60%	4%	4%	5%	2%	0%	9%	84%
Dabur	50%	11%	7%	3%	1%	0%	6%	79%
GCPL	43%	10%	7%	5%	1%	0%	11%	78%
Marico	51%	7%	10%	4%	0%	0%	8%	80%
UNSP	55%	6%	8%	4%	0%	1%	10%	83%
Colgate	35%	7%	14%	3%	1%	5%	8%	73%
Jub. Food	28%	20%	6%	3%	4%	3%	20%	85%
Emami	35%	11%	18%	2%	1%	0%	7%	74%
Radico	52%	8%	6%	7%	2%	0%	10%	85%
Bajaj Cons	32%	10%	21%	4%	0%	1%	8%	76%
Jyothy	53%	13%	7%	6%	2%	0%	5%	85%

Exhibit 22: Gross Margin Change (bps) FY14-20



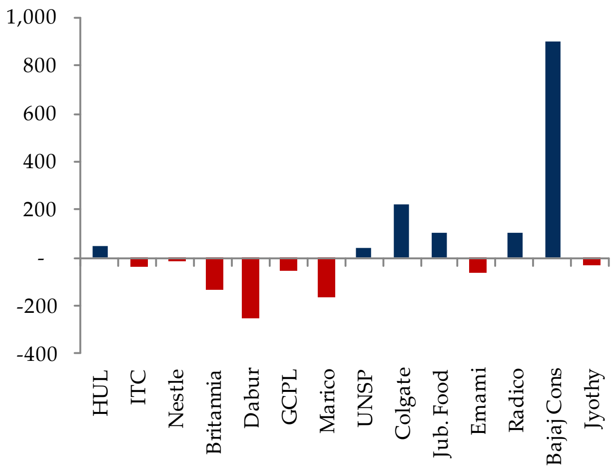
Source: Companies, HSIE Research

Exhibit 23: Employee % of Sales Change (bps) FY14-20



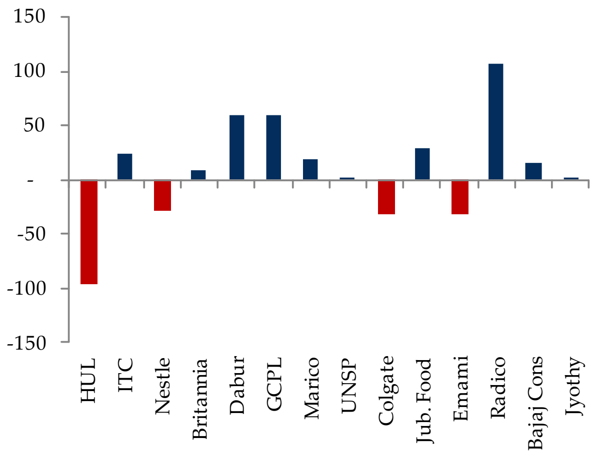
Source: Companies, HSIE Research

Exhibit 24: Advertisement % of Sales Change (bps) FY14-20



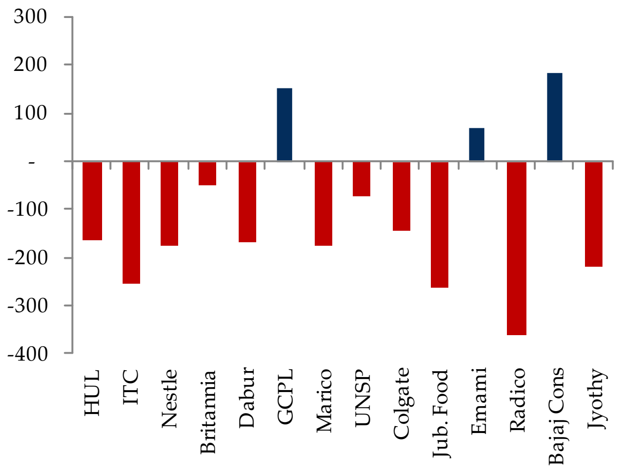
Source: Companies, HSIE Research

Exhibit 25: Distribution % of Sales Change (bps) FY14-20



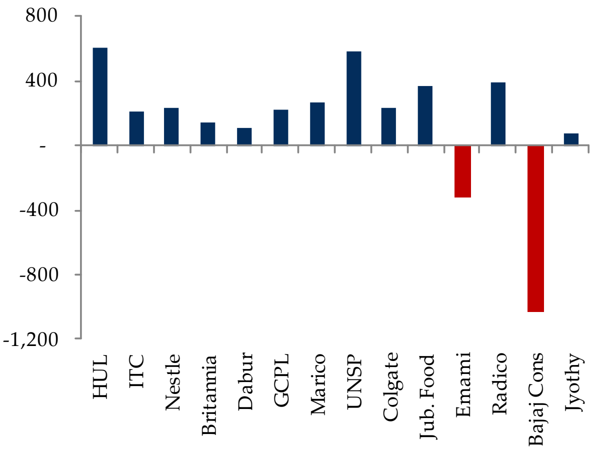
Source: Companies, HSIE Research

Exhibit 26: Other Overheads % of Sales Change (bps) FY14-20



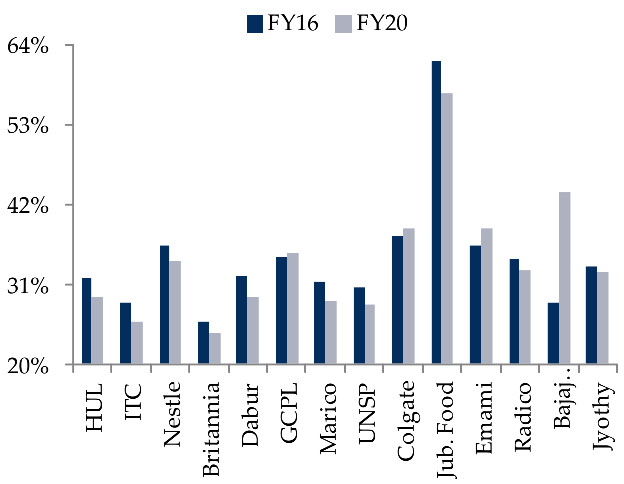
Source: Companies, HSIE Research

Exhibit 27: EBITDA Margin Change (bps) FY14-20



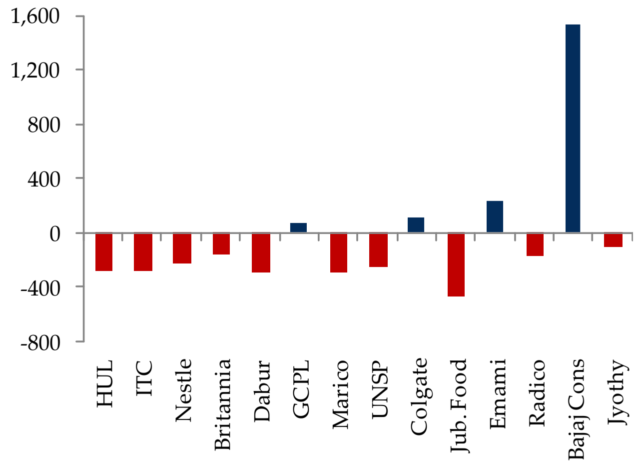
Source: Companies, HSIE Research

Exhibit 28: Ex-RM Cost (% of Revenue) - Cost saving initiatives drive margin expansion



Source: Companies, HSIE Research

Exhibit 29: Ex-RM Cost (% of Revenue) change in FY20 vs. FY16 (bps)

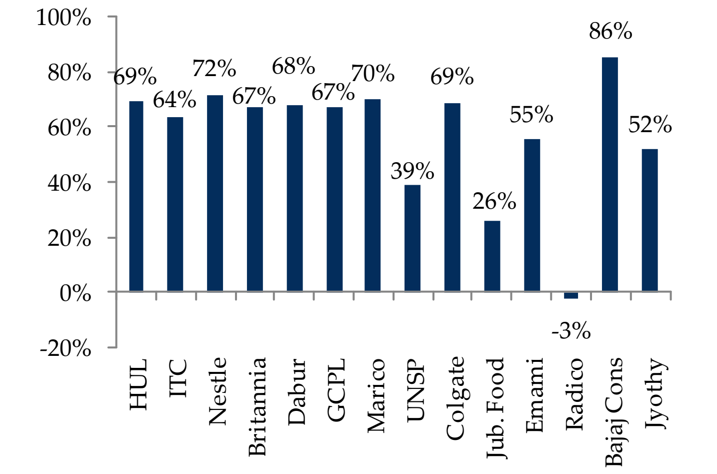


Source: Companies, HSIE Research

D. Capital Efficiencies

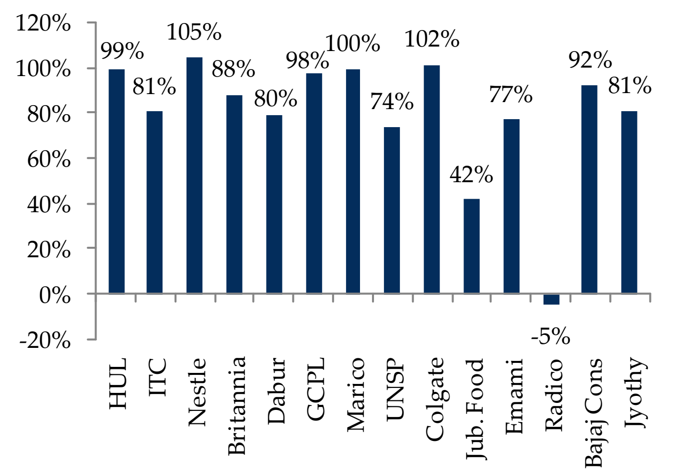
We compared the companies across various capital efficiencies parameters to judge their performance over the past five years. We compared the FCF/EBITDA and FCF/APAT ratios for companies in the universe for FY20. The ratios indicate that almost every company in the sector continued to generate a healthy FCF, despite disruption towards the end of FY20. Radico was the only outlier as delay in receipt of corporation dues in FY20.

Exhibit 30: FCF/EBITDA (FY20)



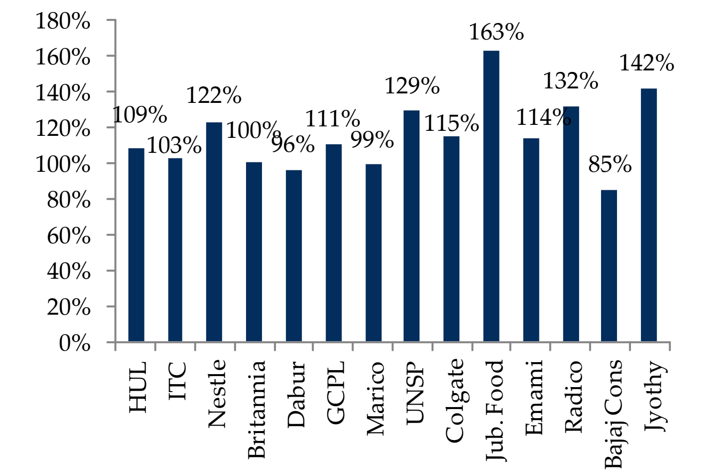
Source: Companies, HSIE Research

Exhibit 31: FCF/APAT (FY20)



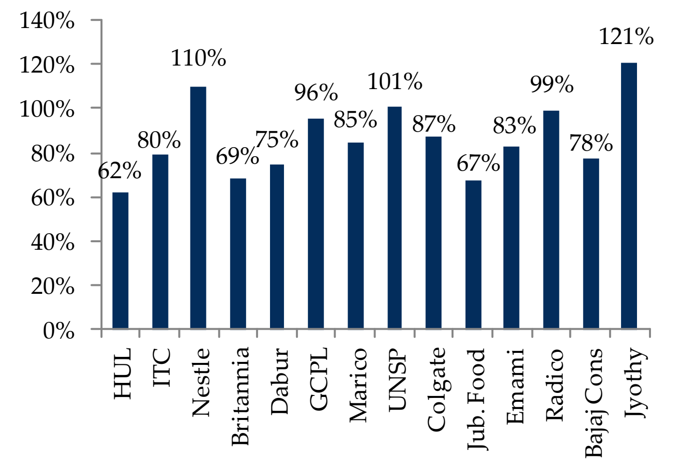
Source: Companies, HSIE Research

Exhibit 32: Cumulative FCF/EBITDA (FY14-20)



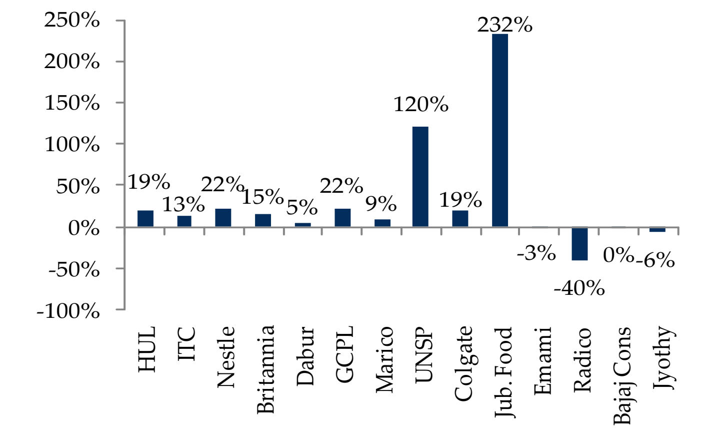
Source: Companies, HSIE Research

Exhibit 33: Cumulative FCF/APAT (FY14-20)



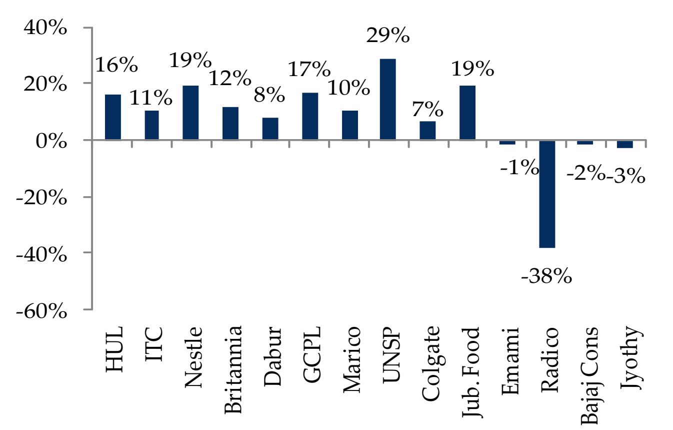
Source: Companies, HSIE Research

Exhibit 34: 5 Year FCF CAGR: JUBI saw strong turnaround following change in strategy and slow store expansion; Radico impacted by delayed corporation dues in FY20



Source: Companies, HSIE Research

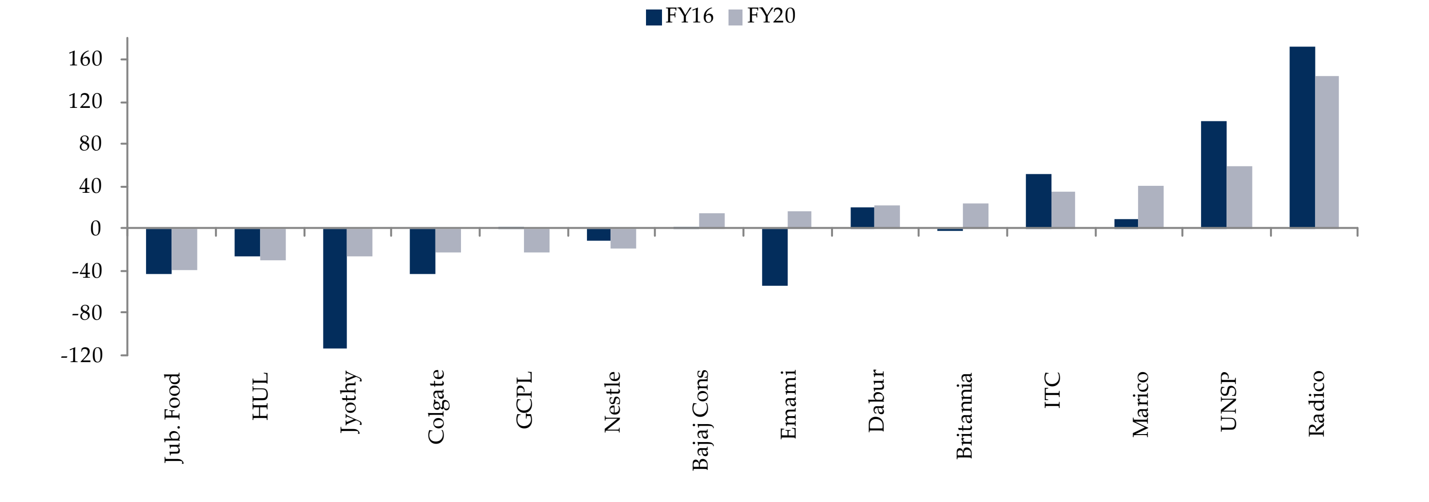
Exhibit 35: 5 Year OCF CAGR: UNSP saw improvement in OCF due to focus on P&A and reduction in WC; delayed receipt of corporation dues in FY20 impacted Radico



Source: Companies, HSIE Research

Companies in the consumer sector focused on improving working capital days over the past five years, resulting in improvement for almost all companies. UNSP, Marico, ITC and Radico saw the most noticeable improvement in working capital during this period while companies like Emami and Jyothy saw deterioration in their working capital.

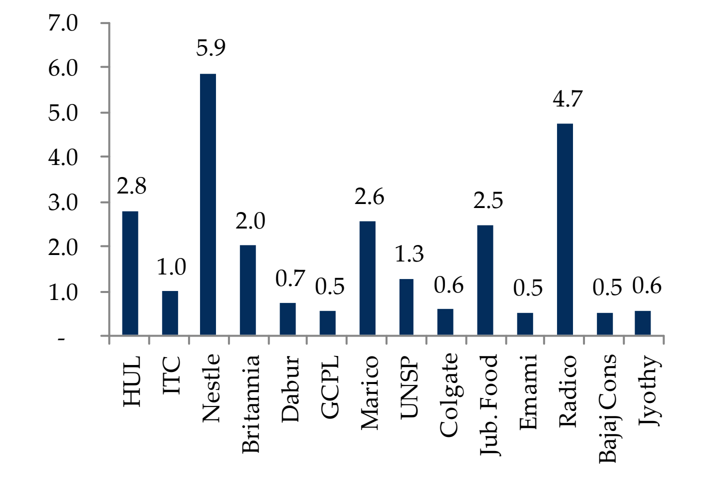
Exhibit 36: Working Capital Days - Improvement across most companies



Source: Companies, HSIE Research

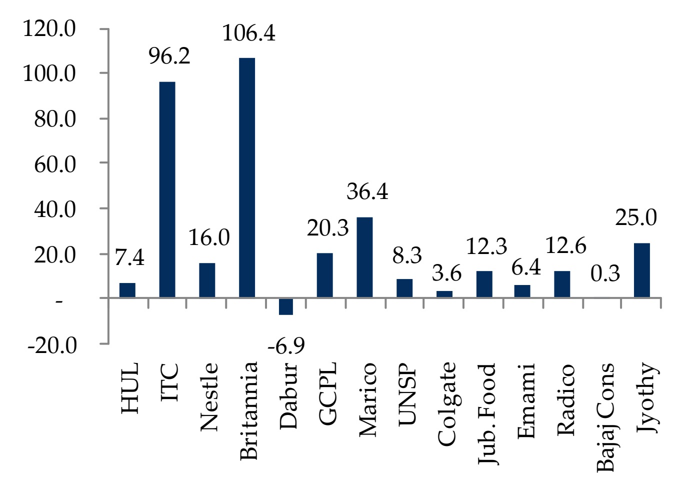
5 Year Incremental Performance: Strategic allocation to Capex supported a healthy incremental Revenue/Capex ratio for companies in the universe. Nestle and Radico were the outliers due to low Capex and sustained revenue growth during this period. On the other hand, ITC and Britannia saw the maximum benefits from incremental allocation to advertising expenses as the companies focused on targeted advertising and saw strong revenue growth.

Exhibit 37: 5 Year Incremental Revenue/Capex (x)



Source: Companies, HSIE Research

Exhibit 38: 5 Year Incremental Revenue/ASP (x)



Source: Companies, HSIE Research

Capital allocation on international business

International Comparison: In the international performance, Marico was outlier due to traction from Bangladesh. Marico has expanded its non-coconut portfolio in Bangladesh, resulting in healthy growth overall.

Particulars (Rs mn)	FY16	FY17	FY18	FY19	FY20
Revenue					
GCPL	42,700	46,310	46,790	47,386	45,330
Dabur	25,115	23,181	21,618	23,150	24,300
Marico	13,760	13,560	13,642	15,780	16,600
Britannia	5,700	4,912	4,758	5,376	5,685
Emami	3,356	2,752	3,014	3,357	3,629
Mix (%)					
GCPL	46%	47%	47%	46%	46%
Dabur	32%	30%	28%	27%	28%
Marico	22%	22%	22%	22%	23%
Britannia	7%	5%	5%	5%	5%
Emami	14%	11%	12%	12%	14%
Reported Revenue Growth (YoY%)					
GCPL	11%	15%	1%	1%	-4%
Dabur	12%	-5%	-6%	7%	5%
Marico	7%	1%	1%	16%	5%
Britannia	28%	-14%	-3%	13%	6%
Emami	15%	-16%	10%	11%	8%
EBIT					
GCPL	6,457	7,095	7,033	5,543	6,382
Dabur	2,447	2,080	2,115	1,765	1,956
Marico	2,120	1,987	2,104	2,885	3,360
Britannia	689	1,439	997	567	396
Emami	303	172	144	158	873
EBIT Margin (%)					
GCPL	15%	15%	15%	12%	14%
Dabur	11%	9%	10%	8%	9%
Marico	15%	15%	15%	18%	20%
Britannia	10%	22%	16%	9%	6%
Emami	9%	6%	5%	5%	24%
Capital Employed					
GCPL	63,193	87,742	90,215	90,929	93,132
Dabur	10,519	11,691	14,774	16,631	20,472
Marico	6,794	6,268	7,475	6,930	7,330
Britannia	897	847	1,528	1,712	2,965
Emami	325	405	344	(221)	232
RoCE (%)					
GCPL	10%	8%	8%	6%	7%
Dabur	23%	18%	14%	11%	10%
Marico	31%	32%	28%	42%	46%
Britannia	77%	170%	65%	33%	13%
Emami	93%	42%	42%	-72%	376%

Note: Dabur, Britannia, Emami international financials are the difference between consolidate and standalone

Capital allocation on acquisitions

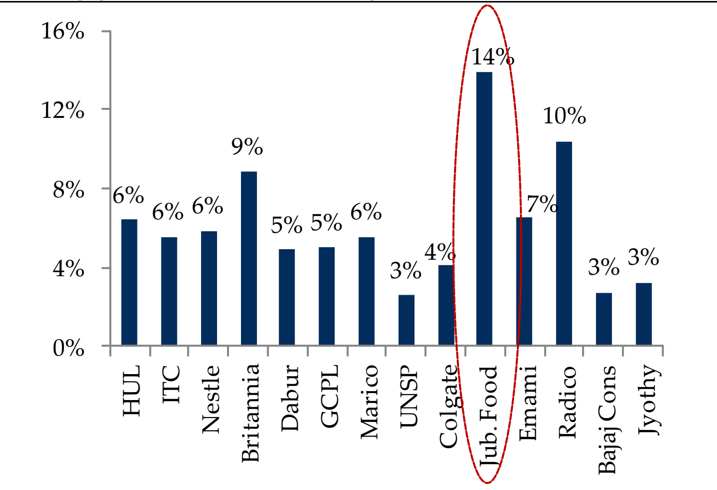
FMCG companies have also allocated their capital on acquisition both in domestic and international. A few acquisitions have become very successful like Balsara for Dabur, Zandu for Emami and Sara Lee/Megasari/Darling for GCPL. While many acquisitions have consumed more capital and RoI is dismal.

(Rs bn) Acquirer	Target	Year	Acquisition EV	Revenue		CAGR (%)	Positive /Negative	Comment
				At acquisition	FY20			
Emami	Zandu	2008	7.5	1.6	6.5	12%		Successful on across parameters
	Kesh King	2015	16.5	2.5	2.7	2%		Deal RoI is at a dismal level
Marico	Paras (Livon, Set, Zatak)	2012	5.0	1.5	1.6	1%		Deal RoI is at a dismal level
	Beardo	2017	1.0	0.2	0.8	51%		Strong revenue show
Dabur	Balsara	2005	1.4	2.0	8.0	10%		Successful on across parameters
	Fem Care	2008	2.6	0.9	1.3	3%		Deal RoI is at a dismal level
	Hobi	2010	3.2	1.3	3.2	10%		Healthy revenue performance, not great in RoI terms
	Namaste	2011	4.5	4.2	5.5	3%		Deal RoI is at a dismal level
GCPL	PT Indrasari Raya	2010	12.0	6.5	16.8	10%		Successful on across parameters
	PT Megasari Makmur	2010		4.9	13.8	11%		Successful on across parameters
	Sara Lee	2011	21.0	9.6	20.0	8%		Healthy revenue performance, not great in RoI terms
	Darling Group Holdings	2011	5.0	10.0	15.0	5%		Healthy revenue performance
	Cosmetica Nacional	2012	3.3	2.5	1.4	-7%		Weak revenue, deal RoI is at a dismal level
	Strength of Nature	2016	15-16	6.2	5.9	-1%		Weak revenue, deal RoI is at a dismal level
HUL	Indulekha	2015	3.3	1.0	4.0	32%		Robust revenue show, strong deal RoI
Jyothy	Henkel	2011	7.5	5.0	6.5	3%		Margin turnaround was strong, healthy deal RoI
Bajaj Con	Nomarks	2013	1.5	0.4	0.3	-2%		Weak deal on across parameters

Source: Companies, HSIE Research

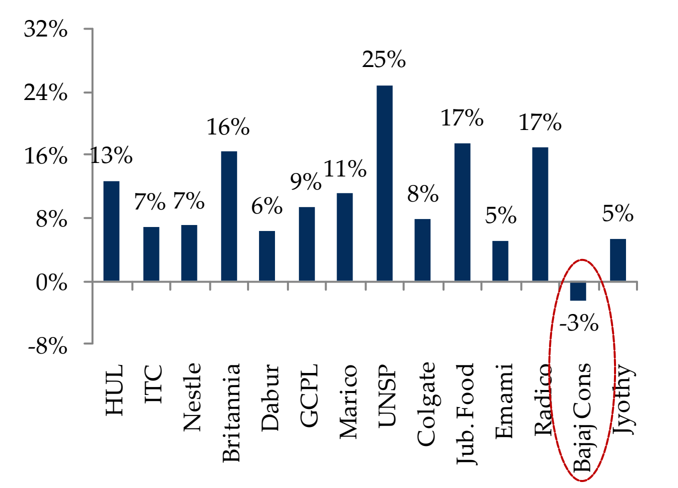
Aggregate Financials

Exhibit 39: 5 Year Revenue Performance- Jubilant outperforming the sector led by a change in strategy and strong growth in food delivery



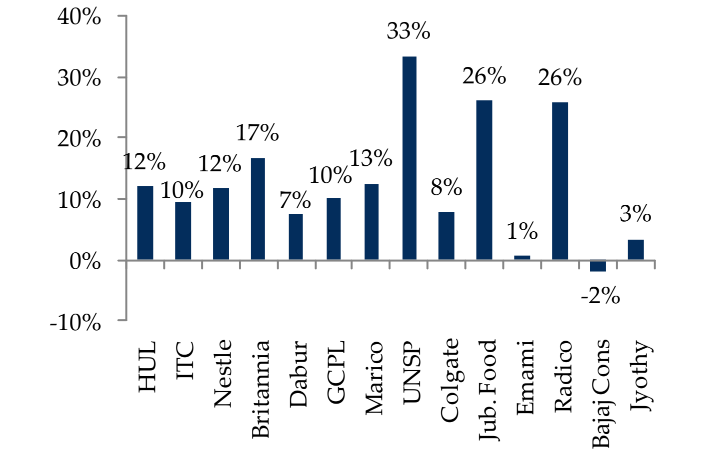
Source: Companies, HSIE Research

Exhibit 40: 5 Year EBITDA Performance- Bajaj Cons was the laggard owing to weak margins



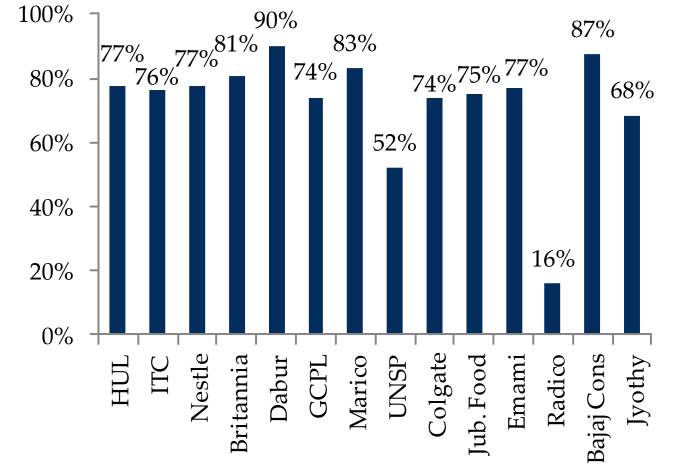
Source: Companies, HSIE Research

Exhibit 41: 5 Year APAT Performance- Focus on P&A led to improved profitability for UNSP while Emami's growth was disappointing



Source: Companies, HSIE Research

Exhibit 42: OCF/EBITDA- OCF remained healthy across the sector in FY20, barring Radico which struggled due to delayed receipt of dues



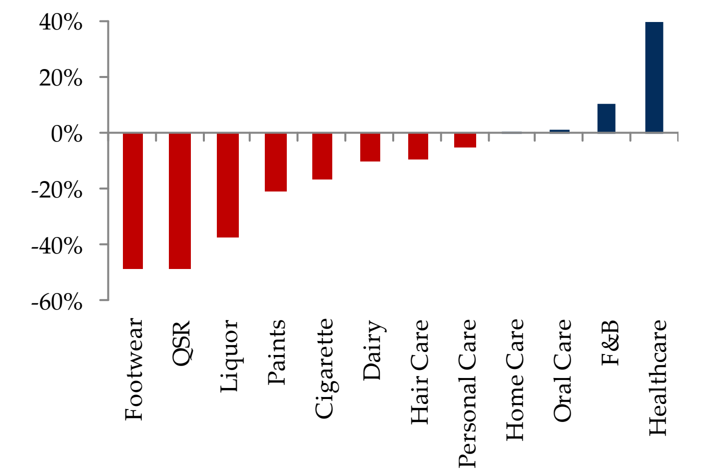
Source: Companies, HSIE Research

COVID-19 Impact, Sector earnings track-record

We had a detailed discussion on the potential impact of COVID-19 on each consumer category in our FMCG Thematic - *Defensive businesses but not valuations*, published in Apr'2020. We expected that categories like packaged food, health and hygiene will witness sharp acceleration in demand, while OOH categories would be impacted the most. We have seen the trends in 1HFY21 played out according to our expectations

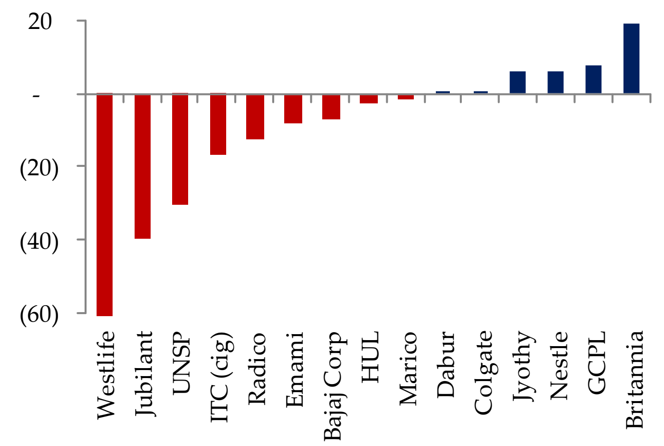
Growth rates in the categories that benefited 1HFY21 are now expected to moderate, and growth diversion will be lower in 2HFY21. Essential categories are reaching normalcy while weaker performing categories (QSR, BPC, Cigarette, etc.) are expected to recover well in 2HFY21. Healthcare is sustaining its healthy growth, and the early onset of winter will further drive demand.

Exhibit 43: 1HFY21 Category Revenue Growth YoY



Source: Companies, HSIE Research

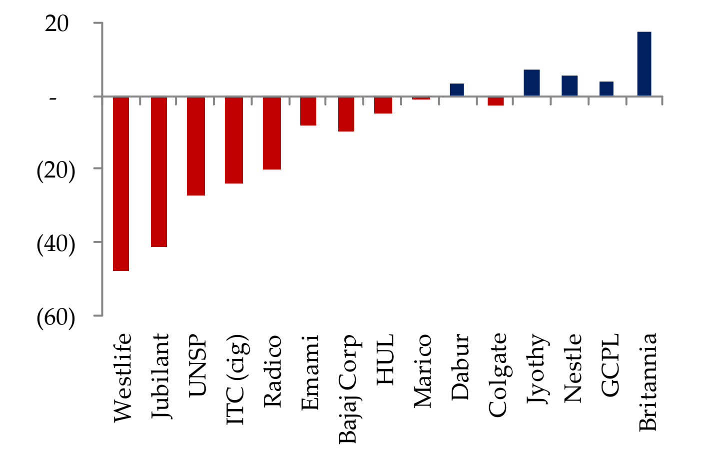
Exhibit 44: 1HFY21 Player-wise Revenue Growth YoY



Source: Companies, HSIE Research

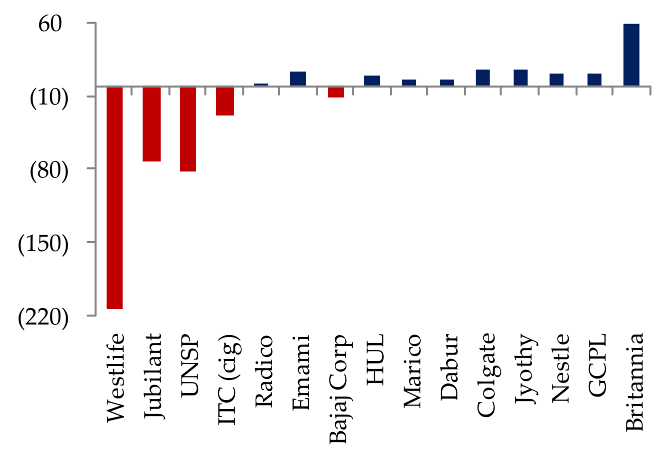
We have seen companies in the essential categories benefit during 1HFY21, and their revenue growth has been strong. However, the rest of the categories and companies struggled during this period with a heavy impact on revenue. Additionally, companies that focused on cost-saving initiatives could expand their margins led by an improved product mix and reduced overheads. Companies like Britannia and Nestle were able to focus on producing high margin products that aided margin expansion.

Exhibit 45: 1HFY21 Player-wise Volume Growth YoY



Source: Companies, HSIE Research

Exhibit 46: 1HFY21 Player-wise EBITDA Growth YoY



Source: Companies, HSIE Research

Healthy recovery expected in 2HFY21

Discretionary categories continued to struggle in 1HFY21 as consumers remained wary of venturing out. However, demand trends towards the end of 2QFY21 were encouraging and indicated a strong recovery in consumption of OOH categories. While essentials like packaged foods, health and hygiene were the key beneficiaries in 1HFY21, we believe the growth rate in these categories will moderate in 2HFY21. We expect demand for discretionary products to recover and drive revenue growth over the next few quarters. In the table below, we have mapped out companies' performance in 1HFY21 and the expected performance in 2HFY21.

Companies	Categories	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	2QFY21	1HFY21 (Avg)	Impact of Covid in 1HFY21	Expected Show in 2HFY21
HUL	BPC	10%	9%	10%	-4%	-2%	-2%	-2%		
	Home Care	4%	5%	-3%	-13%	-12%	0%	-6%		
	Foods (Ex-GSK)	9%	8%	8%	-7%	-4%	19%	8%		
	Domestic	7%	7%	3%	-9%	-7%	3%	-2%		
ITC	Cigarette	6%	6%	5%	-6%	-35%	-14%	-25%		
	FMCG	8%	7%	3%	-3%	10%	15%	13%		
	Domestic	6%	5%	5%	-6%	-17%	1%	-8%		
Dabur	Hair Care	12%	3%	1%	-20%	-23%	-2%	-13%		
	Oral Care	11%	4%	9%	-16%	1%	24%	13%		
	Foods	2%	-5%	-2%	-21%	-34%	-4%	-19%		
	Health Supplements	20%	14%	12%	-10%	53%	71%	62%		
	Home Care	11%	7%	3%	-18%	-31%	10%	-10%		
	OTC & Ethicals	14%	4%	4%	-21%	22%	40%	31%		
	Digestives	18%	10%	16%	-10%	-12%	3%	-5%		
	Skin Care	12%	1%	0%	-24%	-13%	38%	13%		
	Domestic	11%	5%	6%	-17%	-7%	18%	5%		
Marico	PCNO	8%	-4%	-5%	-12%	-12%	8%	-2%		
	VAHO	11%	-6%	-17%	-18%	-32%	-1%	-17%		
	Saffola	6%	5%	13%	25%	16%	16%	16%		
	Domestic	6%	-3%	-5%	-8%	-15%	8%	-3%		
Emami	Boroplus Range	-7%	39%	-12%	-77%	28%	-25%	2%		
	Navratana range	4%	-3%	11%	-12%	-41%	14%	-14%		
	F&H Range	-7%	-32%	-39%	-42%	-70%	-24%	-47%		
	Healthcare Range	-3%	0%	4%	-9%	23%	53%	38%		
	Pain Mgt (Balm)	-6%	4%	13%	-5%	15%	31%	23%		
	Kesh King	30%	-11%	18%	-26%	-33%	45%	6%		
	Domestic	2%	2%	-2%	-19%	-26%	13%	-7%		
GCPL	HI	-4%	4%	3%	-16%	27%	4%	16%		
	Personal wash	3%	-4%	-4%	-23%	-2%	18%	8%		
	Hair Colors	0%	2%	-4%	-23%	-18%	-5%	-12%		
	Domestic	1%	1%	1%	-18%	5%	11%	8%		
Nestle	F&B	11%	9%	9%	11%	2%	10%	6%		
Colgate	Oral Care	4%	5%	4%	-7%	-4%	5%	1%		
Britannia	Food	6%	6%	5%	2%	27%	12%	19%		
Jubilant FoodWorks	QSR	10%	12%	14%	4%	-60%	-18%	-39%		
UNSP	P&A	9%	0%	8%	-16%	-52%	1%	-26%		
	Popular	2%	-1%	-5%	-11%	-51%	-12%	-32%		
Radico	P&A	22%	14%	24%	31%	-41%	11%	-15%		
	Popular	20%	18%	17%	4%	-39%	2%	-18%		

	Postive >10%		Negative 0-10%
	Postive 0-10%		Negative >10%

Consensus Earnings: Volatility continues in FY21

The varied pace of demand recovery following the lockdown has led to significant volatility in the earnings estimates for FY21/FY22 for consumer companies. Recovery was delayed in 1QFY21 compared to earlier expectations due to extensions in the lockdown and fear among consumers. This can be seen from the consistent downgrade in Bloomberg consensus estimates for FY21/FY22 for consumer companies compared to estimates 200/300 days ago. On average, estimates for FY21 were downgraded by 3/12% vs 200/300 days ago while for FY22, the downgrade was 1/9% vs 200/300 days ago.

However, recovery in discretionary categories in 2QFY21 led to upgrades in the FY21/FY22 estimates compared to 100 days ago, following encouraging 2QFY21 results. On average, the estimates for FY21/FY22 were upgraded by 5/3% vs 100 days ago.

The highest upgrade over the last 100 days has been in Jubilant FoodWorks, as the recovery in consumption of outside food was quicker than earlier anticipated. However, this upgrade is also the result of sharp downgrades in the earlier quarter. HUL, ITC, and Nestle have continued to disappoint analysts as the recovery in HUL and ITC has been below expectations, while Nestle has failed to capitalise on the surge in demand for packaged foods compared to its peers like Britannia. Liquor sector was also hugely impacted like QSR, but liquor companies failed to heatlhy recovery in 2QFY21 also.

Exhibit 47: Street's Earnings Upgrade/Downgrades: Last 100/200/300 days

Company	EPS Upgrade/(Downgrade) %					
	FY21E			FY22E		
	100 Days	200 Days	300 Days	100 Days	200 Days	300 Days
HUL	-2.8	-4.3	-14.9	-3.4	-2.8	-12.7
ITC	-2.0	-12.5	-18.9	-2.5	-9.8	-14.4
Nestle	-0.2	-0.0	-5.8	-0.2	-1.1	-4.3
Dabur	3.0	-6.1	-10.8	2.0	-4.2	-9.4
Britannia	1.4	22.2	13.2	-2.4	11.4	0.7
GCPL	3.8	9.9	-5.7	2.6	7.3	-7.8
UNSP	-5.8	-45.4	-53.4	-0.7	-19.7	-26.6
Marico	1.1	5.6	-2.8	0.8	5.3	-2.9
Colgate	5.8	3.3	-2.7	2.2	-0.1	-5.6
Emami	12.0	1.7	-6.9	8.5	-1.1	-9.6
Jubilant	23.9	-35.0	-46.1	16.2	-4.3	-14.6
Radico	7.2	-0.8	-10.9	2.5	-4.0	-9.1
Jyothy	6.5	-1.3	-10.3	4.4	-4.0	-13.3
Bajaj Corp	3.7	-8.4	-18.4	2.8	-11.1	-14.2
Tata Consumer	12.8	27.9	12.3	9.3	22.8	13.7
Average	**4.7**	**-2.9**	**-12.1**	**2.8**	**-1.0**	**-8.7**

Source: Bloomberg, HSIE Research

Consensus Earnings: Historical earnings cut for sector

FMCG companies have consistently reported earnings below the consensus estimates over the last 5 years, illustrated in the table below. Weak earnings growth due to disruptions like GST and demonetisation, and an economic slowdown has led to the disappointing numbers.

Average annual cut in earnings was at around 3% duirng the last 5 years. Jyothy Labs, Tata Consumer, UNSP, Jubilant and Bajaj Consumer have seen more earnings cut than others while Nestle has seen earnings upgrade on an average over the last 5 years.

Exhibit 48: Last 5 Year: Street's Estimated PAT vs. Actual PAT

(Rs bn)	FY16			FY17			FY18			FY19			FY20			Average
	Est.	Actual	Chg (%)	Est.	Actual	Chg (%)	Est.	Actual	Chg (%)	Est.	Actual	Chg (%)	Est.	Actual	Chg (%)	
HUL	41.9	41.7	-1%	42.9	42.4	-1%	51.6	51.4	0%	62.3	60.8	-2%	73.0	68.6	-6%	-2%
ITC	100.7	93.8	-7%	105.9	103.0	-3%	112.6	112.8	0%	124.1	126.2	2%	146.6	141.0	-4%	-2%
Nestle	9.3	9.6	3%	11.1	11.2	1%	12.4	13.1	5%	16.6	16.8	1%	19.7	19.9	1%	2%
Dabur	12.5	12.5	0%	12.9	12.8	-1%	13.7	13.7	0%	15.2	14.4	-5%	16.3	15.3	-6%	-3%
Britannia	8.4	8.2	-2%	8.9	8.9	-1%	10.1	10.0	0%	11.7	11.6	-2%	13.8	14.1	2%	-1%
GCPL	11.3	12.0	6%	12.9	13.4	4%	14.8	14.8	0%	15.8	14.7	-7%	15.5	14.7	-5%	0%
UNSP	3.8	2.5	-35%	4.1	4.9	19%	5.2	5.5	6%	7.6	6.8	-10%	8.6	7.9	-8%	-6%
Marico	7.2	7.2	-1%	8.1	8.0	0%	8.5	8.1	-4%	9.4	9.3	-1%	10.5	10.3	-2%	-2%
Colgate	6.1	6.0	-1%	5.9	5.8	-2%	6.6	6.8	3%	7.6	7.5	-1%	8.2	8.2	0%	0%
Emami	5.0	5.3	7%	5.9	5.5	-7%	5.7	5.1	-10%	5.3	5.0	-6%	4.8	4.9	3%	-3%
Jubilant	1.2	1.0	-18%	0.9	0.7	-25%	1.8	1.9	9%	3.2	3.2	-1%	3.3	3.5	5%	-6%
Radico	0.9	0.8	-14%	0.8	0.8	-2%	1.2	1.2	6%	1.9	1.9	-2%	2.3	2.2	-6%	-4%
Jyothy	1.7	1.2	-30%	1.7	1.3	-21%	1.5	1.5	1%	2.0	1.9	-2%	2.0	1.7	-14%	-13%
Bajaj Consumer	2.3	2.3	1%	2.3	2.4	0%	2.3	2.2	-7%	2.3	2.3	-1%	2.2	1.9	-12%	-4%
Tata Consumer	3.5	3.3	-6%	4.4	3.9	-13%	5.5	4.8	-12%	4.7	4.4	-6%	5.1	5.2	1%	-7%
Average			-6%			-3%			0%			-3%			-3%	-3%

Source: Bloomberg, HSIE Research

Valuation Summary

Exhibit 49: Peer Valuation

Companies	MCap (Rs bn)	CMP (Rs)	Reco.	TP (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY21E/ CY20	FY22E/ CY21E	FY23E/ CY22E	FY21E/ CY20	FY22E/ CY21E	FY23E/ CY22E	FY21E/ CY20	FY22E/ CY21E	FY23E/ CY22E	FY21E/ CY20	FY22E/ CY21E	FY23E/ CY22E
HUL	5,173	2,390	REDUCE	2,315	35.3	40.2	44.5	67.6	59.4	53.7	47.2	41.8	37.9	40.1	24.9	28.1
ITC	2,483	202	BUY	243	11.1	12.9	13.9	18.2	15.6	14.6	12.3	10.2	9.3	39.0	45.6	47.5
Nestle	1,764	18,295	REDUCE	16,326	230.9	258.0	296.8	79.2	70.9	61.6	52.6	47.6	42.0	62.0	51.9	53.0
Britannia	859	3,575	REDUCE	3,589	76.4	80.1	89.7	46.8	44.6	39.8	34.0	32.1	29.0	54.7	52.6	55.0
Dabur	954	540	ADD	544	9.5	10.8	12.1	56.8	50.1	44.7	46.5	40.3	35.1	40.4	44.4	48.7
GCPL	767	750	ADD	786	16.7	18.5	20.7	44.9	40.4	36.3	36.1	31.0	28.1	20.1	22.6	25.2
Marico	548	425	ADD	450	8.7	10.1	11.2	48.6	42.1	37.8	34.0	30.0	27.2	47.1	54.3	59.9
UNSP	426	586	ADD	640	5.6	12.4	14.7	104.2	47.3	39.9	46.9	28.1	24.6	9.9	18.7	19.6
Colgate	439	1,614	ADD	1,722	33.6	37.0	41.0	48.1	43.6	39.4	31.3	28.5	26.0	73.2	87.3	99.9
Jubilant	384	2,912	REDUCE	2,204	19.2	37.2	44.1	151.9	78.3	66.1	80.5	48.3	41.3	21.5	36.7	43.6
Emami	207	457	REDUCE	405	14.3	15.1	16.2	31.9	30.2	28.2	23.6	21.9	20.3	32.6	39.4	43.7
Radico	63	477	ADD	546	18.8	23.5	27.3	25.4	20.3	17.5	16.2	13.2	11.4	13.3	15.6	16.7

Note: CMP is of 9 Jan'21

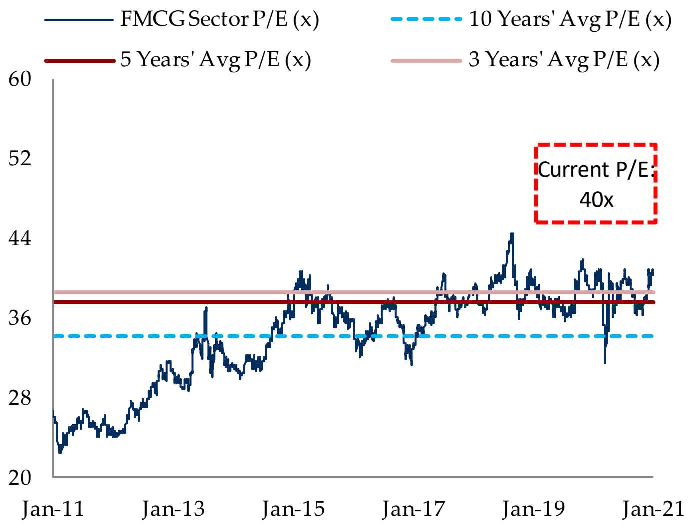
Exhibit 50: Change in Estimates, TP and Rating

Company	CMP	Rating		TP (Rs)		Target P/E (x)		Old EPS			New EPS			Est Chg (%)		
		Old	New	Old	New	Old	New	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
HUL	2,390	REDUCE	REDUCE	2,060	2,315	50	52	34.8	39.3	43.1	35.3	40.2	44.5	1.7	2.4	3.3
ITC	202	BUY	BUY	236	243	18	18	11.1	12.9	13.9	11.1	12.9	13.9	-	-	-
Nestle	18,295	REDUCE	REDUCE	14,080	16,326	50	55	230.5	254.6	290.6	230.9	258.0	296.8	0.2	1.3	2.1
Britannia	3,575	REDUCE	REDUCE	3,455	3,589	40	40	76.8	81.4	91.3	76.4	80.1	89.7	(0.6)	(1.6)	(1.8)
Dabur	540	REDUCE	ADD	470	544	42	45	9.5	10.6	11.7	9.5	10.8	12.1	0.4	1.1	3.1
GCPL	750	REDUCE	ADD	663	786	35	38	16.4	18.0	19.9	16.7	18.5	20.7	2.0	3.2	3.8
Marico	425	REDUCE	ADD	360	450	35	40	8.5	9.7	10.8	8.7	10.1	11.2	2.7	3.8	3.9
UNSP	586	ADD	ADD	593	640	42	42	6.4	12.4	14.7	5.6	12.4	14.7	(11.9)	(0.3)	(0.3)
Colgate	1,614	ADD	ADD	1,529	1,722	40	42	33.4	36.4	40.0	33.6	37.0	41.0	0.4	1.6	2.4
Jubilant	2,912	REDUCE	REDUCE	1,800	2,204	45	50	19.2	36.8	42.6	19.2	37.2	44.1	-	1.2	3.3
Emami	457	REDUCE	REDUCE	306	405	20	25	13.9	14.8	15.8	14.3	15.1	16.2	2.9	2.1	2.5
Radico	477	ADD	ADD	461	546	18	20	18.8	22.7	26.6	18.8	23.5	27.3	(0.2)	3.6	2.7

Sector Valuation

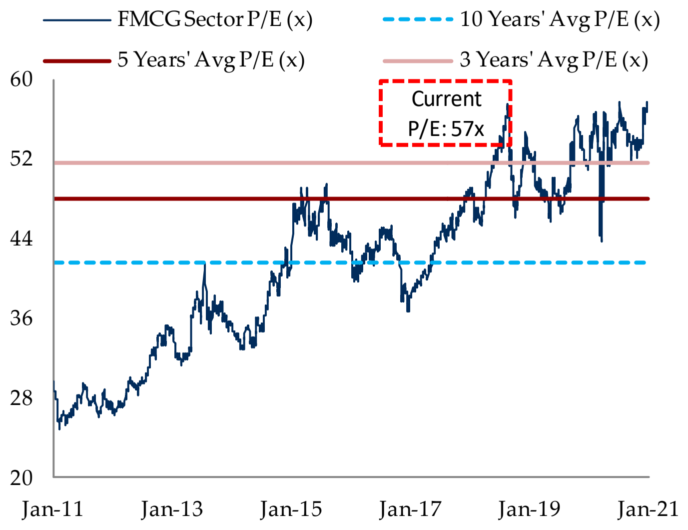
After COVID-19 steadily impacted FMCG companies in the past eight months, stock prices have seen steep volatility. In the initial period of the disease's impact, the fall in stock prices was sharp for most companies but less than that in NIFTY-50. However, in the later phase (past six months), Nifty has outperformed the FMCG sector, gaining 31% while NSE FMCG is up by only 10%.

Exhibit 51: Sector P/E (12-month Rolling Forward)



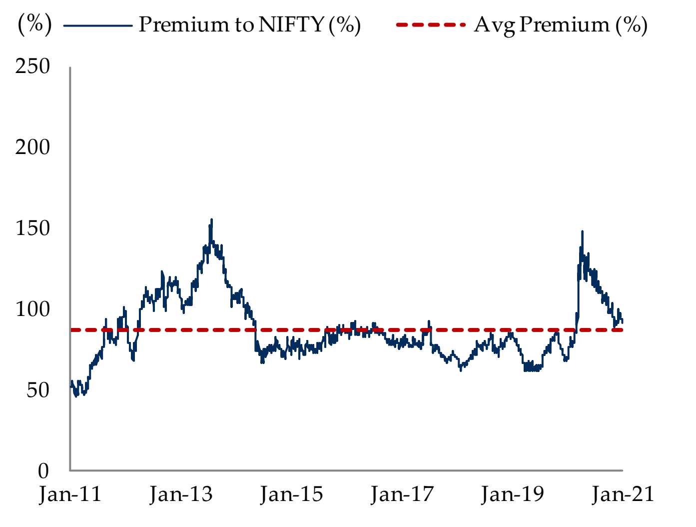
Source: Companies, Bloomberg, HSIE Research

Exhibit 52: Sector (Ex-ITC) P/E (12-month Rolling Forward)



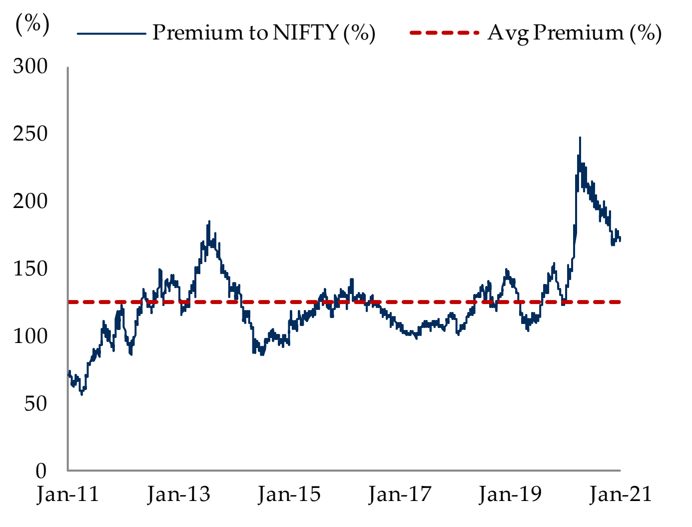
Source: Companies, Bloomberg, HSIE Research

Exhibit 53: Sector Valuation Premium (12-month) Over Nifty 50



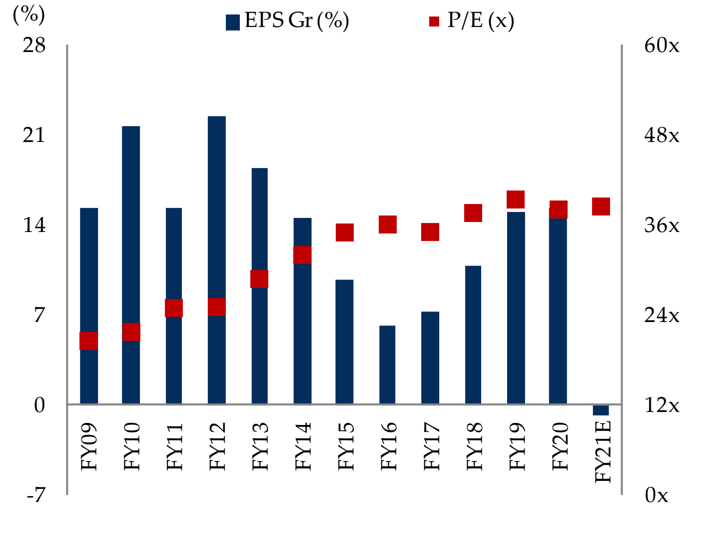
Source: Companies, Bloomberg, HDFC sec Inst Research

Exhibit 54: Sector (Ex-ITC) Valuation Premium (12-month) Over Nifty 50



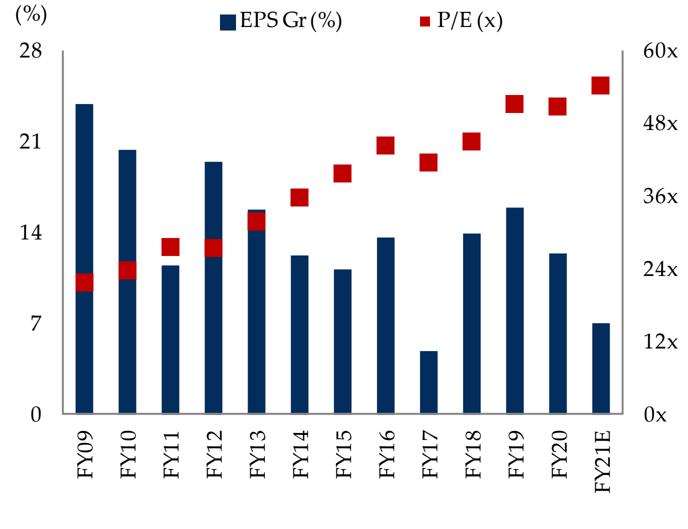
Source: Companies, Bloomberg, HDFC sec Inst Research

Exhibit 55: FMCG Universe: Earnings vs. Valuation



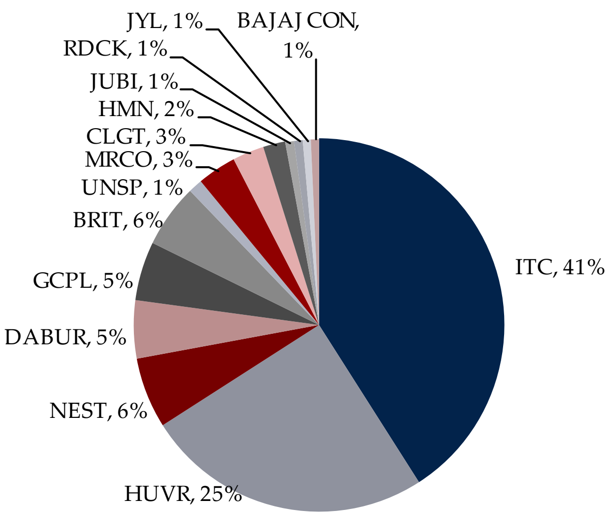
Source: Companies, Bloomberg, HSIE Research

Exhibit 56: FMCG Universe: Earnings vs. Valuation (Ex-ITC)



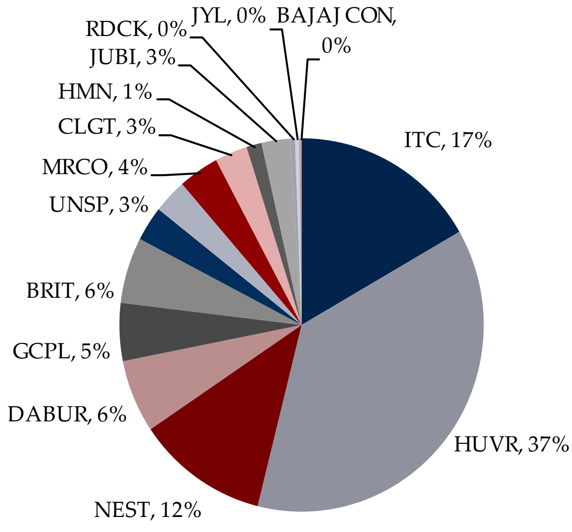
Source: Companies, Bloomberg, HSIE Research

Exhibit 57: FMCG Universe: Profit Mix



Source: Companies, Bloomberg, HSIE Research

Exhibit 58: FMCG Universe: Market Cap Mix



Source: Companies, Bloomberg, HSIE Research

Exhibit 59: FMCG Universe: Valuation Trend

P/E (x)	1 Yr Fwd P/E (x)				P/E Re-rating/De-rating		
	10 Yr	5 Yr	3 Yr	Current	10 Yr	5 Yr	3 Yr
Bajaj Cons	20	23	21	14	-31%	-39%	-34%
Emami	33	38	32	30	-9%	-21%	-6%
Jyothy	35	34	31	22	-36%	-35%	-29%
ITC	25	24	21	16	-36%	-32%	-25%
UNSP	127	68	68	57	-55%	-17%	-17%
Radico	20	19	22	22	8%	14%	0%
Marico	36	43	42	43	20%	0%	1%
GCPL	37	43	46	40	11%	-7%	-12%
Britannia	35	46	49	45	29%	-2%	-8%
Colgate	38	41	41	44	15%	8%	7%
Dabur	37	44	48	51	38%	16%	6%
HUL	42	51	56	61	44%	19%	7%
Nestle	51	55	60	72	42%	31%	21%
Jubilant	66	60	62	86	31%	45%	40%
FMCG	34	38	39	40	17%	7%	4%
FMCG (Ex-ITC)	**42**	**48**	**52**	**57**	36%	18%	10%
Nifty-50	19	21	21	21	13%	2%	-1%

Exhibit 60: FMCG Universe: Stock Performance

Companies	1W (%)	1M (%)	3M (%)	6M (%)	12M (%)	3Yr (%)	5Yr (%)
HUL	(1.1)	4.8	10.7	6.5	22.8	73.1	192.5
ITC	(3.0)	0.2	20.8	4.3	(13.4)	(23.6)	(3.0)
Nestle	(1.4)	3.5	13.1	7.7	26.0	128.3	221.8
Dabur	0.2	6.5	3.1	12.9	17.2	48.1	98.9
Britannia	(0.7)	(2.5)	(5.1)	(4.7)	17.5	51.4	144.8
GCPL	(0.9)	3.8	1.9	5.2	3.0	10.6	76.8
UNSP	6.2	4.7	17.8	(3.5)	7.0	(21.8)	9.2
Marico	3.8	6.0	13.1	21.6	25.3	29.3	83.1
Colgate	1.7	1.8	8.8	14.4	9.7	42.4	71.8
Emami	6.6	6.6	31.5	94.7	49.0	(32.4)	(7.1)
Jubilant	2.5	11.8	24.3	76.6	65.8	196.4	320.2
Radico	6.7	5.9	18.2	28.3	54.7	54.1	315.4
Jyothy	0.2	3.4	1.3	24.4	(1.3)	(23.7)	(4.1)
Bajaj Corp	4.1	12.0	25.6	55.0	(5.4)	(54.8)	(44.7)
Tata Consumer	1.9	6.8	27.5	39.7	90.0	89.2	316.0
NSE FMCG	**(0.4)**	**3.6**	**13.7**	**10.4**	**13.8**	**25.5**	**75.8**
Nifty 50	**1.1**	**5.6**	**18.7**	**31.3**	**17.6**	**33.1**	**86.0**

Note:
Green indicates out-performance to Nifty 50 during the respective period
Red indicates under-performance to Nifty 50 during the respective period

FMCG Companies P/E Bands

Exhibit 61: HUL P/E Band

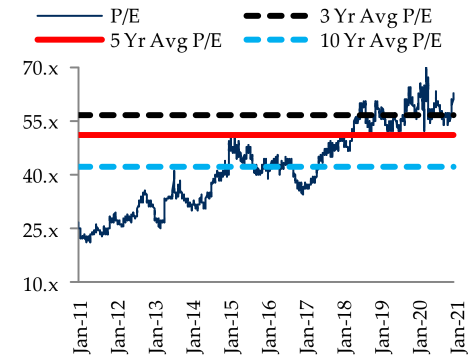


Exhibit 62: ITC P/E Band

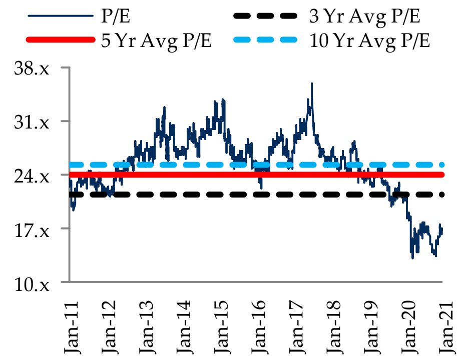


Exhibit 63: NESTLE P/E Band

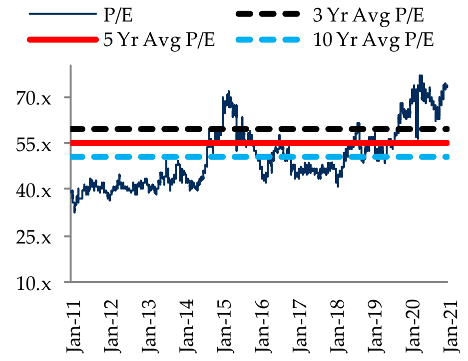


Exhibit 64: BRITANNIA P/E Band

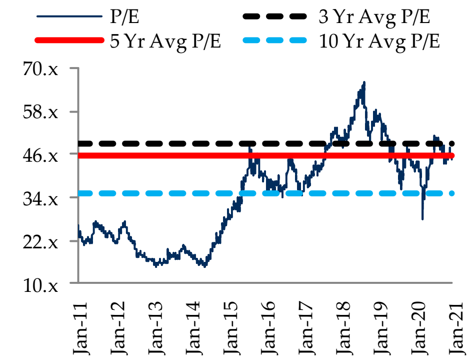


Exhibit 65: DABUR P/E Band

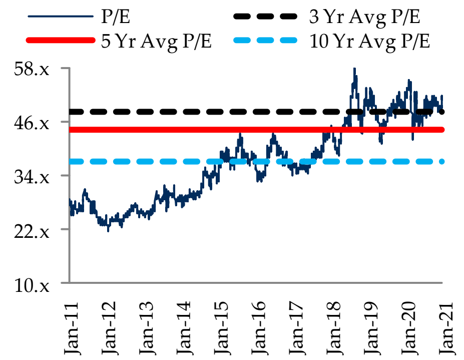


Exhibit 66: GCPL P/E Band

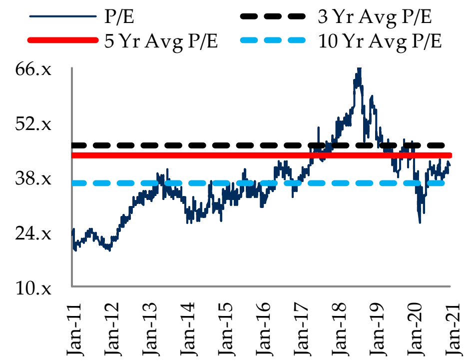


Exhibit 67: MARICO P/E Band

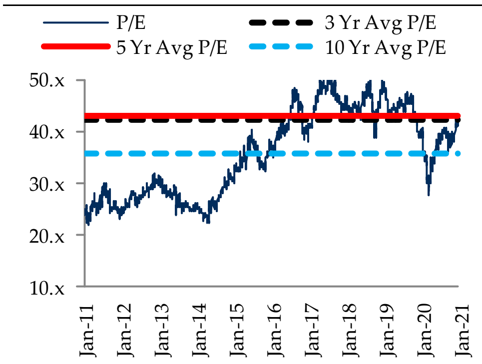


Exhibit 68: COLGATE P/E Band

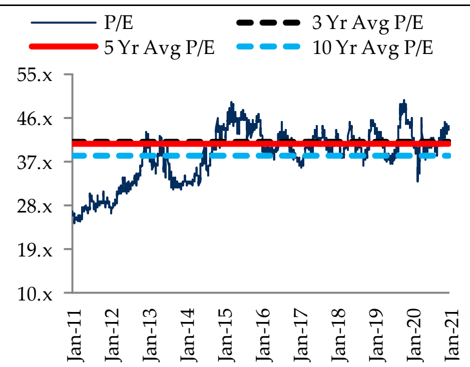


Exhibit 69: EMAMI P/E Band

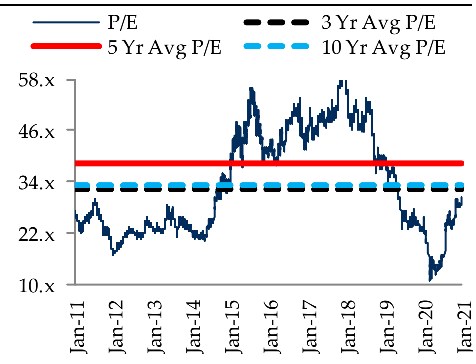


Exhibit 70: JUBILANT P/E Band

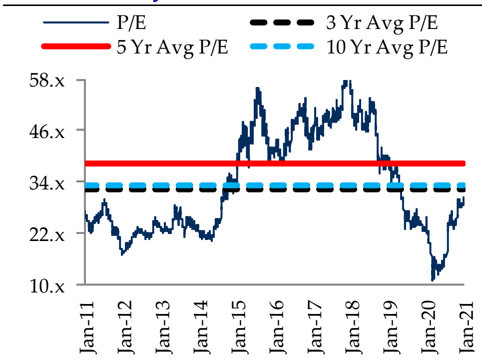


Exhibit 71: UNSP P/E Band

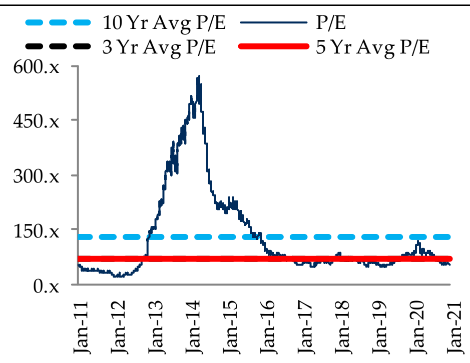
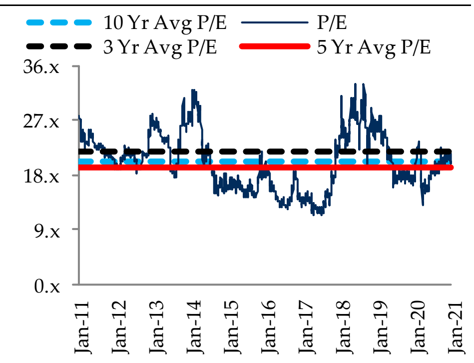


Exhibit 72: RADICO P/E Band



Source: Bloomberg, Companies, HSIE Research

Company-wise ARA analysis

Hindustan Unilever

Key takes

- HUL has continued to ramp up its focus on cost control initiatives and improved efficiency throughout its value chain.
- The company has invested in improving its presence in e-comm and MT with a dedicated team for each channel. It has deployed technology to retrieve better analytics and shape its decisions on assortment and pack sizes.
- It has gradually expanded its presence in the Naturals category in BPC, driving premiumisation through LUPs. The company has also introduced channel-specific products for e-comm to improve its presence.
- Vim liquid continued to drive penetration in rural areas, and HUL remained focused on scaling Domex in more markets.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- **Co is focused on reducing consumer complaints and improving on-shelf quality standards.** - Co also saw good progress in its manufacturing strategy and efficiency improved. - Total employees- 18,000	- **Co's 'Winning in Many Indias' initiative has made it agile and responsive to market needs. It is able to pursue differentiated strategies and products according to market needs.** - Co is investing in tech to generate consumer insights for innovation. - Total employees- 18,000	- Co focused on growing new channels with its Perfect Stores programme. - **Factories delivered >10% cost saving by eliminating non-value-added activities.** - Total employees- 18,000	- **Co has 3,500 large distributors across all channels.** - Co continued investing in technology to improve efficiency. - Total employees- 18,000	- **HUL products are available at >8mn retail outlets.** - Co is focused on delivering long-term growth through renovating existing brands, launching new brands, and making strategic acquisitions. - **Co's savings programs delivered 7% of sales as gross savings.** - Total employees- 21,000
Demand	- **Second consecutive weak monsoon led to distressed rural demand.** - Competition remained aggressive.	- **Rural demand remained sluggish.** - Overall market showed signs of recovery in 2H but faced a slowdown due to demonetisation.	- GST led to volatility in trade conditions. - **However, demand displayed gradual recovery.**	- Consumer demand stabilise d post GST. - **Rural growth rate was ahead of urban earlier but is now at par.**	- **Consumption slowed down, and consumer sentiment remained weak.** - Discretionary spends saw a significant shift impacting PC.
Distribution	- Co is investing in capability building for e-commerce. - Co intends to develop capabilities to gain market leadership in e-comm.	- Growth in e-comm was robust. - Investments by co in building brands in MT stores started showing results.	- **Co is using technology to generate insights from data gathered from large retail chains.** - Co improved on-shelf quality by 20%.	- **E-comm grew exponentially, and co has dedicated an expert team to create competitive advantages in the channel.** - Co is focused on improving in-store visibility in GT. - 'Building brands in store' remained a key thrust in MT.	- Co continued to invest in 'assisted selling' and 'visibility' in MT while improving distribution. - Co has assigned a dedicated expert team to gain competitive advantages in e-comm.

Particulars	FY16	FY17	FY18	FY19	FY20
Beauty & Personal Care	- **Co took pricing action in soaps due to soft commodity prices leading to volume growth.** **- Co relaunched Ayush to strengthen presence in the naturals segment.** Innovative launches drove-Personal care. - Lifebuoy and Domex are capitalising on the govt's cleanliness drive. - TRESemme business doubled as the brand saw a third consecutive strong year.	- **Cosmetics was the fastest-growing segment in BPC and co strengthened its presence in it through innovations.** - Co continued to drive premiumisation in skincare. - **Co launched a new and expanded ayurvedic range under LEVER Ayush.** - Co also entered the Baby segment with Baby Dove.	- Relaunch of Fair & Lovely drove growth in skincare. - Dove and Pears drove premiumisation. - Oral care faced headwinds due to the naturals trend. - **Lakme entered Rs 10bn brands list for the co.** - **Co is building a master brand LEVER Ayush across multiple categories to capitalise on Naturals trend.** - Indulekha and Citra are specialist naturals brands. Indulekha clocked strong growth and was expanded into shampoos. - Co will also launch naturals variants within the existing portfolio.	- **Co remained focus on market development and scaling the play in Naturals segment across multiple categories.** - **E-comm emerged as a key growth driver.** - Low penetration in most categories provides long term growth opportunity. - Value packs launched in multiple brands performed well. - Skin cleansing growth was led by premiumisation. - Dove became the no.1 hair care brand in India. - Lakme maintained its place in Rs 10bn brands list for the co.	- Co is focusing on Skin Cleansing portfolio. - Core brands like Fair & Lovely, Pond's, Sunsilk, Dove, and Close Up were strengthened due to increased penetration. - Co has 900 SKUs across multiple categories. - New launches in Dove and Sunsilk focused on naturals trend. - Dove, Pears and liquid portfolio led the premiumisation. - Launched TRESemme sachet to drive growth. - Launched Love, Beauty & Planet- a premium brand across BPC. **- Co has a differentiated portfolio strategy for e-commerce and is increasing its presence across platforms.**
Home Care	- **Soft commodity prices enabled pricing action in detergents to drive volume.** - **Surf became the largest detergent brand for co.** - Co continued to drive nascent segments like fabric conditioners, liquid dishwash and handwash.	- Surf excel sustained its volume growth. - Vim liquid continued to drive premiumisation in dishwashing. - Co expanded its water portfolio into RO.	- **Premiumisation trend continued in fabric wash.** - Wheel regained growth in the mass segment. - Co built momentum in emerging segments like machines and fabric conditioning with Surf Excel Matic liquid. - Vim continued to drive category adoption in rural India. - **In addition to the liquid, co-launched a premium bar variant to drive premiumisation.** - PureIt focused on the fast-growing RO business.	- **Premiumisation trend continued, and Wheel regained growth in the mass segment.** - Co drove consumption through flexible packs in detergent liquids. - Growth was volume-driven. - Vim led market development in rural areas. - Co scaled Domex powder to more markets within the country. - PureIt will focus on electric purifiers and phase out gravity filters.	- Premiumisation trend continued. Co drove premiumisation by introducing new LUPs. - Focus on mass and popular segment remains unchanged. - Vim led market development for dishwashing products in rural areas. Co is also developing demand for Vim liquid through digital media and precision marketing. - Co is building its presence in e-commerce. - **It created a platform 'Cleanipedia' to provide housekeeping tips.**

Particulars	FY16	FY17	FY18	FY19	FY20
Foods & Refreshment	- Co extended its Knorr range into masalas. - Kissan drove premiumisation with the launch of a new range of premium jams and dressings. - **Co strengthened its tea portfolio with differentiated products for regions.** - Co focused on widening the appeal of core ice cream brands.	- Foods focus was extended to young adults through a new range in Kissan. - Tea sustained broad-based growth through differentiation across the country.	- Foods has a sustainable growth opportunity due to low penetration. - **Foods will continue to focus on volume growth.** - Refreshments continued to drive reach through increased distribution. - Co launched LUPs in Taaza to drive premiumisation.	- **Foods and Refreshment categories were integrated to make the business more focused.** - **Co continued to drive reach by increasing direct distribution.** - Growth in refreshments was volume led. - Lipton green tea accelerated its weight loss proposition. - Growth in ice cream and frozen desserts was strong and volume-led due to innovative launches.	- Focus remains on innovation and increased penetration. - Kissan Ketchup cemented market leadership. - Kissan international sauces saw good traction. - Taaza continued to drive premiumisation. - Co launched several innovative products in ice creams at the top and bottom end of the pyramid, specifically to cater to the retail and e-commerce channels.
Innovative / Successful Launches					

Nestle India

Key takes

- Nestle focused on improving its distribution in new markets through the use of data and technology.
- Maggi continued to maintain its market leadership, supported by new launches and entry into new ready-to-eat products.
- Nestle expanded its dairy portfolio with new additions like Yoghurts and innovation in Health Food Drinks.
- New launches supported the premiumisation trend in Nescafe and formats like RTD saw good traction.
- Exports remained weak due to geopolitical tensions and continued currency fluctuations.

Annual Report Takeaways

Particulars	CY15	CY16	CY17	CY18	CY19
Company Strategy / Industry	**- The impact of the MAGGI Noodles issue was felt in several dimensions and across various businesses** - Nestle has access to the extensive global network of Nestlé R&D. This is a competitive advantage in the rapidly emerging areas of technology and scientific research and enables the company to provide safe and nutritious products of very high quality.	- Women employees stands at 16% - Attrition at 11% - Nestle focused on proving consumers with the best tasting, most nutritious choices in a wide range of F&B categories and eating occasions and help consumers maintain optimum Nutrition, Health and Wellness.	- Women employees stands at 17% - Attrition at 9% **- Nestle focused on increased product penetration into newer regional markets and expanded its consumer base.**	- Women employees stands at 19% - Attrition at 8.3% **- Food Processing sector grew at an average pace of 8% per annum. Govt's flagship programmes played a significant role in boosting investment in this sector.**	- Focus on new innovative products **- Through the cluster-based approach, that is powered by data and technology, the company made deeper penetration into newer markets and unleashed growth potential** - 98% of what Nestle sells in India is made in India - Women employees stands at 21% **- Attrition is going down and is at 7.2%** - Leading market share for 85% portfolio **- Nestle has strengthened its urban distribution and services to channel partners for all its brands and SKUs**
Domestic	- Domestic Revenue was down by 18%	- Domestic revenue was up by 13%	- Domestic revenue was up by 8%	- Domestic revenue was up by 11%	- Domestic revenue was up by 11%
Distribution					- Nestle kiosks are >450 with average footfall across kiosks of 14.5mn/per annum. Target to reach 1,000 kiosks - Distributors 1700, Suppliers 4600, Dairy Farmers 100,000, Coffee Farmers 3500

Particulars	CY15	CY16	CY17	CY18	CY19
Prepared Dishes	- MAGGI revenue was impacted by the ban initiated after one state Food Authority claimed for the elevated level of lead and that the 'NO ADDED MSG' declaration on the pack was considered misleading **- MAGGI Noodles had seen good recovery after the ban was aside. Market share from 0% on 9th November to 33% on 31st December 2015**	- MAGGI Noodles to quickly regain the leadership position with 60% market share. - Cup noodles were back with the introduction of MAGGI HOT HEADS Cuppa Noodles and the relaunch of MAGGI Cuppa Masala and MAGGI Cuppa Chilly Chow	- MAGGI's core category Noodles had a double-digit volume growth and an increase in household purchasing the brand - A robust regional initiative with local language media and sampling drove awareness and trials at the grassroots level. - A special limited edition range of noodle variants inspired by regional cuisines and spices called "MAGGI Masalas of India" was introduced in markets across India. It was launched innovatively through Google Search and PayTM.	- Segment benefitted from strong performances across MAGGI range of products, especially MAGGI Noodles, where multifaceted inputs and regional engagement drove penetration, distribution and volume growth. - The Cooking Aids business witnessed extremely encouraging consumer response for MAGGI MASALA-AE-MAGIC, refurbished with attractive packaging and amplified with the launch of new variants for non-vegetarian and South-Indian dishes.	- Strong double-digit volume growth - MAGGI Noodles continued its focus on innovating and renovating its portfolio with the launch of MAGGI Nutrilicious Atta Noodles made with a blend of 20 spices and herbs **- MAGGI expanded its offering in the ready-to-eat segment with the launch of MAGGI Upma and MAGGI Poha** **- Breakfast cereals (NESPLUS brand) seeing strong traction in MT and Ecomm.**
Milk Products and Nutrition		- Focus remains on the value-added products - NESTLÉ a+ GREKYO was introduced in several variants along with EVERYDAY Masala Fusion Dairy Whitener with 6 natural spice flavours	- New launches saw a strong response - Extended chilled dairy portfolio range of Greek yoghurts under NESTLÉ a+ GREKYO with exotic fruit flavours like blueberry, litchi and plain greek style curd.	- Nestle extended chilled dairy portfolio range of healthier yoghurt based option of Dip and Spread, under the brand of MAGGI in exotic flavours such as Jalapeno Salsa and Cheese Garlic.	- RM inflation was high - Nestle expanded its presence in the Health Food Drinks category by bringing India the world's number 1 cocoa malt beverage MILO. - Several new launches in infant food
Beverage	- NESCAFE lost market share in 2013, post which, the brand has gained significant market share (>30% growth in 2013-2015) -	- NESCAFÉ SUNRISE INSTA-FILTER was introduced as part of differentiated products. It offers the authentic South Indian Filter Coffee Taste in an instant - Three variants for NESTEA Iced Tea were launched along with NESCAFÉ Latté	-2017 was an exciting year for the 'Powdered and Liquid Beverages' - Introduced MILO ready-to-drink beverage low on sugar and received an encouraging response.	-2018 was an exciting year for the 'Powdered and Liquid Beverages' **- After the successful launch of NESCAFÉ Ready-To-Drink Coffee in UHT format, Nestle also launched successfully Ready-To-Drink Coffee in a can format, under NESCAFÉ**	- NESCAFÉ continued its, premiumisation journey with NESCAFÉ Gold and NESCAFÉ É, a smartphone-connected coffee-making mug - NESCAFÉ also launched several packs to leverage the e-commerce channel
Chocolate		- KITKAT Duo was a first of its kind combination of brown and white. BARONE CHARGE and the New ALPINO were introduced to cater to niche audiences -Innovative, category-first and relevant consumer promotions were offered to consumers throughout the year **- The Paytm cash promotion on KITKAT was an industry-first marketing activity.**	**- The 'Confectionery' business continued its focus on growing the core and foraying into the value-up/premium segment.**	**- The 'Confectionery' business continued its focus on growing the core and foraying into the value-up/premium segment.** - The business wielded its strength towards continuous innovation and renovation of its portfolio to befit the evolving consumer trends.	- Co achieved double-digit growth along with market share gain through rapid acceleration on the premium segment and continued momentum in the core mainstream segment with an increase in availability.

Particulars	CY15	CY16	CY17	CY18	CY19
Exports	**- Export decreased by 1.3% impacted by MAGGI Noodles issue and lower coffee exports.** - Exports of other products remained largely unaffected - Exports of Instant Tea picked up significantly during the year with substantial quantities going to Philippines, Thailand and Ireland	- Exports were up by 4% - Instant tea remained flat, instant coffee registered growth on account of the increase in exports to Romania and Bangladesh. Infant Nutrition exports also showed good growth.	- Exports were flat - Coffee exports remained in growth. Key export markets for instant coffee were Turkey, Bangladesh, Taiwan, Singapore and the Middle East. - Confectionery exports to the Middle East and Ghana which started in 2016, remained subdued because of slow demand	- Exports were up by 7% - Maggi is exported to 13 countries	- Exports were down by 10% due to lower exports of coffee to Turkey - United States and Canada remained the biggest destination for culinary exports. - Ex-Turkey, other geographies were in growth
Innovative / Successful Launches		- Co launched 30 new products		- Co launched 13 new products	- 71 new launches since 2016. - 3.4% contribution from new launches

ITC

Key takes

- ITC has focused on modernising its manufacturing process and using technology to drive efficiency. The company has also continually expanded its manufacturing capacity in Packaged Foods and Personal Care.
- It is strengthening its presence in MT and e-comm as it expects these channels to be key drivers of growth going forward. It has also expanded its rural coverage. Lockdown saw the company develop innovative approaches like "ITC Store on Wheels", "ITC e-store" and collaborations with delivery aggregators.
- Despite steep taxation and price hikes, ITC has maintained its leadership in cigarettes. The company is driving volumes through innovative launches. It has also focused on improving operational efficiency, and it is ramping up its capsule manufacturing capabilities.
- Aashirvaad has continued its market leadership. Within personal care, the company has seen strong growth in Savlon, and recent new launches are expected to drive exponential growth in the brand.
- ITC has continued to add quality properties to its Hotels business, and room rates and occupancy have continued to improve year on year.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- Co commissioned 3 units to meet requirements in Packaged Foods. - **Co is focused on rapidly scaling up the FMCG and Other businesses.** - Co is investing in R&D to continue with innovative launches across categories. - Co also invested in technology to improve consumer insights. - Co invested in supply chain optimisation initiatives for trade partners to improve its positioning across channels. - Total employees- 25,564	- Co is focused on modernising its manufacturing and packaging processes. - Co commissioned three manufacturing units to meet requirements in Packaged foods and Personal Care. - **Co focused new launches on capturing rising trends like health & wellness products, preference for products rooted in 'Indianness' and on-the-go consumption formats.** - Co focused on optimising supply chain costs to mitigate the impact of rising raw material prices. - Total employees- 25,883	- Co invested behind modernising its manufacturing facilities and incorporating technology in its processes. - **Co began initiatives towards capability enhancement for technologies like 'Industry 4.0' including AI, advanced analytics and virtual assistance.** - Co invested behind initiatives to implement strategic cost management across the value chain. - Co commissioned two manufacturing facilities in Kapurthala and Panchla. - Total employees- 26,147	Co implemented a pilot 'Baareh Mahine Hariyali' programme to aid **farmers by leveraging its e-Choupal network.** - **Co also worked on developing micro-entrepreneurship in villages to improve its reach in rural markets.** - Co began implementing technologies such as 'Industry 4.0' and data science to drive operational excellence. - Co commissioned a new manufacturing facility at Pudukkottai and ramped up operations at Kapurthala, Panchla and Guwahati. - Total employees- 27,729	- Co invested heavily behind technology to improve efficiency across the value chain. - **It implemented 'Industry 4.0' technologies including advanced analytics, big data and Internet of Things (IoT).** - Co also ramped up capacity utilisation at its facilities in Trichy, Guwahati, Panchla, Haridwar and Pune. - Co also invested in initiatives to improve its presence in rural areas and improve engagement with consumers and channel partners. - Total employees- 28,115

Particulars	FY16	FY17	FY18	FY19	FY20
Demand	- **Demand remained strong in the first nine months. However, 4Q saw a sharp decline.** - FMCG demand remained sluggish for the third year in a row. - Rural demand remained muted on the back of weak monsoon in 2015.	- Demand continued to slow down due to low economic growth. - **Liquidity crunch due to demonetisation disrupted the supply chain and impacted the recovery in demand visible in 2Q.** - Despite good monsoon in 2016, pick-up in demand was not visible in FMCG.	- **Pick-up in consumption was not visible as economic growth slowed sharply.** - **Implementation of GST also created headwinds and sentiments remained weak.** - Demand continued to remain sluggish within FMCG. - However, rural demand showed signs of recovery due to normal monsoon. - Co also witnessed signs of recovery in 4Q.	- FMCG saw a slowdown in sales growth. - Demand remained challenging as economic growth slowed down in the country. - **Despite a strong recovery in 1H, sentiments weakened in 2H.** - Govt initiatives led to strong rural growth. - **Rural growth stood at 1.4x of urban.**	- **Consumer sentiment remained weak throughout FY20.** - Slowdown in the rural economy also impacted demand. - Liquidity crunch in the channel and variation in monsoon led to further pressure on demand. - COVID exacerbated the situation due to restrictions and consumers being wary of venturing out. - **Rural growth stood at 0.8x of urban.**
Distribution	- Co sustained its leadership in the convenience channel. - **MT saw robust growth and co improved its presence through various initiatives and engagement programmes.** - Co also expanded its rural footprint and increased the number of brands available in those markets.	- **Co rolled out customised servicing programmes for top outlets in urban areas.** - Co continued to expand its direct reach in rural markets and implemented initiatives to support trade partners during the liquidity crunch. - Co increased its focus on MT by deploying in-store merchandisers, consumer-connect programmes, and joint business planning with its trade partners. - Co also increased its presence on e-comm by enhancing engagement with major players.	- Co implemented initiatives towards gaining salience in the rapidly growing E-comm channel. Co also invested behind improving its presence on digital and social media platforms. - Co continued customised engagement for top outlets in urban markets. - **Co's loyalty programmes- 'First Club' for retail and 'Shubh Laabh' for wholesale continued to gain traction.** - **MT saw robust growth due to several initiatives taken by the co like consumer engagement and channel-specific SKUs.** - Total distribution network- 6mn outlets	- Co focused on improved assortment and pricing in MT and E-comm to gain share on these channels. - **Co expects Tier II/III towns and rural India to be key drivers of growth. It is focusing on strengthening its distribution in these markets.** - Co also strengthened its standing in urban markets through engagement programmes for top outlets. - Co continued to strengthen its position in E-comm and invested in improving its digital presence. - Total distribution network- 6mn outlets	- **Liquidity crisis in the wholesale channel impacted demand.** - **Co focused on enhancing availability in markets close to its manufacturing sites.** - MT and E-comm saw strong growth as co improved availability and product mix on the channels through analytics. - **Co also adopted a direct to consumer model through 'ITC Store-On-Wheels' and 'ITC e-store' to reach consumers during the lockdown.** Co also partnered with aggregators like Swiggy, Zomato, and QSR like Domino's to ensure products' supply. - Total distribution network- 6mn outlets

Particulars	FY16	FY17	FY18	FY19	FY20
Cigarettes	- Segment remained subdued as demand trends continued to be weak. - Heavy taxation led to a slowdown in volumes. - Illegal cigarettes continued to gain share due to escaping taxation. - **Co continued to expand its premium portfolio with capsule variants and saw strong traction.** - Co also introduced the first super slim cigarette in 97mm. - Co saw increasing traction in Electronic Vaping Devices and ramped up its engagement through its brand EON. - **Co also expanded the presence of Kwiknic in the chemist channel.**	- Increase in taxation impacted volumes due to continued price increase. Co continued to witness consumers' migration **from cigarettes to other forms of tobacco due to high taxation.** - **Liquidity crisis led to tepid demand, especially from the wholesale channel.** - Illegal cigarettes gained share due to supply chain constraints for legal players. - However, co improved market share in key markets. - Co expanded its capsule portfolio with innovative launches. - **Co entered Electronic Vaping Devices in several markets.**	- Implementation of GST resulted in the steep escalation of tax on cigarettes. - **Tax incidence of cigarettes increased by 13%, with 19% for King Size.** **- Segment also saw additional costs due to transition to GST due to non-availability of Additional Duty Surcharge credit.** - Partially due to heavy taxation, India became one of the fastest-growing illicit cigarettes market. - However, co continued to strengthen its position within legal cigarettes. - Co also expanded its Electronic Vaping Devices to capitalise on the trend.	- Steep increase in taxes under GST impacted cigarettes heavily. - **Along with the excise duty hike, the total tax impact on cigarettes was 20%.** - Illicit cigarettes continued to grow, and India became the 4th largest illicit market. - Co focused on expanding its portfolio through innovative launches. - New launches strengthened its market share. - **Co scaled up its ability to manufacture capsules and intends to continue investing in the technology.**	- Co consolidated its market share further, led by innovative launches. - **Co sustained its market leadership even in modern variants and continued to launch innovative and differentiated offerings.** - Co also drove premiumisation through new launches. - However, illicit cigarettes saw strong growth, partially due to an increase in excise (13%). - The segment as a whole struggled due to the share gain by illicit cigarettes as well as weak sentiments. - **Co witnessed disruption across the value chain due to COVID. However, all its factories are now operational.**
FMCG	- Aashirvaad atta continued to maintain market leadership led by strong traction in value-added variants. Regulatory issues impacted Yippee **during the year. However, due to the higher focus of authorities on its competitors, Yippee was able to gain market share and improve brand positioning.** - B-Natural delivered robust growth and co expects it to be a key driver of growth going forward. - Personal care was impacted due to price cuts by competitors. - Despite sluggish growth in the industry, co was able to gain market share. - **Savlon and Shower to Shower were fully integrated with the co and co launched Savlon hand wash in 3 variants.** - Fiama, Vivel continued to gain market share driven by wide marketing campaigns by the co.	- Segment result was impacted by co's brand building activities in new segments like Juices, Dairy, Chocolates and Coffee. - Aashirvaad atta, along with value-added variants, consolidated its leadership in the segment. - Bingo saw robust growth led by portfolio expansion by the co. - **Yippee returned to growth following regulatory issues last year. Urban markets led the recovery while rural demand remained sluggish.** - **Within Spices, co launched ITC Master Chef 'Super Safe Spices' which are following European standards and saw strong traction.** - B-Natural continued to gain traction driven by co's marketing campaigns. - Personal care industry was sluggish and saw steep price cuts despite rising RM prices. Co focused on balancing margins and volume growth.	- **Bingo, Dark Fantasy and Aashirvaad drove growth in Branded Packaged Foods.** - Co launched a complete digital campaign to dispel rumours surrounding Aashirvaad atta. - Bingo achieved market leadership in the Bridges segment within snacks. - Co remained the fastest growing packaged food co in the country. - Co continued to launch several first-to-market products. - Yippee sustained its growth momentum despite the competitive intensity. - Fiama, Engage, and Savlon handwash fuelled growth in the Personal Care business. - **Co launched sports range deodorants in Engage which saw strong traction.** - **Co forayed Spices into new markets such as Australia, Germany, Turkey and Ukraine.**	- Co's FMCG segment continued to grow ahead of the industry despite increasing competitive intensity. - **Aashirvaad, Bingo, Yippee and Dark Fantasy continued to perform well and were the key drivers of growth for the co.** - Aashirvaad saw strong growth and fortified its market leadership. - Co expanded its range in Bingo and saw strong growth in the brand. - **Co introduced a premium range in B Natural.** - Co also saw robust growth in its personal care business driven by Engage, Fiama and Savlon. The segment continued to witness premiumisation. - **Co saw strong growth in on-the-go consumption formats and LUPs.** - Spices biz continued to expand in the US, EU and Japan. - **Co is focusing on scaling up its presence in Juices, Chocolates, Coffee and Dairy.**	- **Aashirvaad atta, Dark Fantasy, Bingo and Yippee were the key drivers of FMCG growth for the co.** - Co also saw strong traction in shower gels & body wash. Fiama handwash also saw strong traction. - **Savlon performed well as an increased awareness around hygiene led to strong growth for hand sanitisers, floor cleaners and antiseptic liquids.** - Demand was muted for deodorants and 'Vivel; Soaps due to industry-wide slowdown. - **Co expanded its footprint to 17 states in Spices. Co is driving migration from unbranded to branded spices among consumers.** - Co also acquired Sunrise Foods to improve its presence in blended spices. - Co scaled 'B Natural' to all its target markets. - Co saw market share gains across most of its FMCG brands.

Particulars	FY16	FY17	FY18	FY19	FY20
Others	- **Co saw improvement in occupancy rates. However, room rates continued to remain under pressure.** - Subdued growth of foreign tourists in key markets weighed on the segment. - Total properties- 100 - Co consolidated its market leadership within stationery products. - Although tight liquidity conditions led to muted revenue growth, co expects a strong recovery in the next year. - **Paperboards saw stiff competition due to zero import duty alternatives. Additionally, the slowdown in FMCG and Cigarettes also impacted the segment.** - Growing demand for illegal cigarettes led to a drop in prices for flea cured tobacco.	- **Hotels struggled as room rates remained benign, and excess room inventory in key markets dragged the segment.** - Total properties- 100 - Stationery saw subdued demand due to tight liquidity conditions and significant disruption in the wholesale channel. - Paperboards continued to be impacted by sluggish growth in FMCG and legal cigarettes. - **International players gained share in the segment due to zero duty imports.** - Flea tobacco prices saw a sharp increase due to lower production in Brazil and India. - **However, global demand also contracted, leading to weak performance in the segment.**	Despite the improvement in room rates, Hotels' performance **remained subdued to excess inventory in key cities and highway ban on the sale of liquor.** - Total properties- 104 - Stationery biz posted robust performance led by 'Classmate'. Co consolidated its leadership in the segment. - **Paperboards was impacted due to unutilised capacity, cheap import alternatives and slowdown in FMCG, liquor and pharma.** - **Crop shortage in AP due to drought and relative lower quality of crop weighed on the Agribusiness.** - Continuing growth in the sale of illicit cigarettes has also impacted leaf tobacco exports.	- **Co added 2 world-class properties to its Hotels biz, and the segment saw improvement in Revenue.** - Co continues to be among the fastest-growing hospitality chains in the country. - Total properties- 105 - Co sustained its leadership in Stationery products. Co also scaled up its presence in the value segment. - **Paperboards saw robust growth driven by capacity addition, improved product mix, strategic investments in pulp procurement and improved cost-efficiency.** - Co consolidated its leadership in the export market for leaf tobacco. - Co's Agri network continued to benefit its Packaged Foods division. - Co continued to leverage its backward integration to drive penetration for Spices.	- **Hotels and Stationery products were impacted adversely as the lockdown coincided with peak season as well as the onset of school sessions.** - Hotels saw robust growth in the first 3 quarters led by new iconic properties. - Total properties- 109 - Paperboards and packaging was impacted by sluggish growth in FMCG, Pharma and Liquor industries. - **Leaf tobacco saw subdued demand in international markets due to currency devaluation for competitors.** - Key drivers of revenue growth in Agri were trading opportunities in oilseeds and pulses. - **Co also enabled e-Choupal 4.0 to improve engagement with farmers.**
Innovative / Successful Launches					

Dabur India

Key takes

- Dabur has focused on digitising its distribution system and using analytics to drive assortment across channels.
- It has also identified power brands it intends to invest on, to improve market share and drive penetration across categories.
- The company has had a sustained focus on expanding rural distribution reach, and it has increased its presence from 45,000 villages in FY16 to 52,298 villages in FY20.
- Product innovation has been focused mainly on Ayurvedic healthcare. The company has also ramped up its digital communication to improve its positioning with younger consumers.
- Innovative new launches have driven Home & Personal care segment, and the company has launched several new products in the wake of the pandemic. E-commerce has been a key driver for the segment, and Dabur has continually invested in improving its presence and product availability in the channel.
- While the company's market share has remained strong in Juices, the category has struggled to sustain earlier growth rates due to consumers shifting to cheaper alternatives. Dabur has launched LUPs to drive category expansion.
- MENA and African markets have posted stable cc growth. However, geopolitical tensions and currency fluctuations have kept growth in the International segment muted.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- **Co turned its focus on launching products that appeal to younger consumers.** - **Co also launched 'Project Lead' to engage with doctors and increase awareness of its products.** - Co intends to increase its focus on E-comm and expand its digital presence. - Co invested behind its IT infrastructure to improve efficiency in its supply chain. - Co focused on streamlining its supply chain and distribution network to identify key areas of improvement. - India employees- 4,044 - Total employees- 6,607	- **Co revamped its go-to-market strategy by dividing its salesforce into its 3 segments in each geography.** - Co is also pursuing an aggressive E-comm strategy to make more products available on the channel. - Co has invested behind improving its online presence to gain access to Millenials. - Co ramped up its focus on Ayurveda and launched several products across categories. It also renewed its communication to reach younger consumers. - India employees- 4,837 - Total employees- 7,243	- **Co has 16 brands with turnover > Rs 1bn, and it continued to focus on these brands.** - Growing Ayurveda trend aided co's growth. - Co launched several Ayurveda based products across categories, and it intends to increase its focus on this category. - Co is also focusing on youth and ramping up its digital presence to gain better traction. - Co is driving penetration in OTC as well as its personal care portfolio. - **Co is also developing a web-based Rural Sales Portal to boost its presence in rural markets.** - India employees- 4,738 - Total employees- 7,144	- **Co launched 'Project Lakshya' which is an initiative towards improving supply chain efficiencies for the co.** - Co also began using AI-driven technology for packaging in its overseas operations. - Co launched 'Project RISE' to identify regional market opportunities using analytics. - Co continued to invest behind new product development. It intends to drive through innovative launches and relaunches. - **Co has identified 5 power brands behind which it intends to invest heavily. All power brands saw strong growth and market share gains.** - India employees- 4,974 - Total employees- 7,458	- **Co has accelerated its innovations to meet the demand for hygiene and healthcare products during the pandemic.** - Co shifted its ad expenditure towards new channels and digital media to maximise visibility. - **Co also launched an app to allow channel partners to place orders and receive better analytics. It enrolled ~40,000 retail outlets on the app.** - **Co continued its investment in 9 power brands, all of which saw market share gains.** - India employees- 5,235 - Total employees- 7,740

Particulars	FY16	FY17	FY18	FY19	FY20
Demand	- Demand continued to remain sluggish. - **Rural demand was under stress due to weak monsoons.**	- **Demand was weak post demonetisation.** - **Liquidity crunch in the wholesale channel saw destocking of inventory.** - Continued deficient monsoons impacted demand in rural markets.	- Demand was impacted post GST implementation. - **However, co saw a fast recovery in 2H.** - Growth in co's categories was driven by Ayurveda trend.	- **Demand was strong throughout the year as rural growth was ahead of urban.** - However, co witnessed signs of a slowdown towards the end of the year.	- **FMCG saw a sharp slowdown due to low rural income and liquidity crisis.** - COVID further exacerbated the situation. - Consumers continue to focus on essentials while discretionary expenses remain low.
Distribution	- **Co rolled out 'Project 50/50' to increase focus on 130 urban towns contributing to 50% of urban consumption.** - **Co also focused on expanding its reach in the Chemist channel.** - Villages coverage- 45,000 - Co tied up with Salons to drive its skincare portfolio. - Although E-comm mix is negligible, co is ramping up its presence in the channel.	- GT was adversely impacted due to demonetisation, and the channel saw destocking in 2H. - **MT performed well as it was able to benefit from liquidity crunch in GT.** - Recovery was quicker in Urban markets due to higher access to cashless payment modes. - **Co inducted 1,000 rural sales promoters to improve its rural presence.**	- Co focused on improving its distribution network in MT and E-comm in addition to GT. - **Co also expanded its presence in rural markets and increased brands available there by 10%.** - E-comm salience- 0.8% - MT salience- 12.7% - Villages coverage- 42,000 - Direct retail coverage- 1.02mn - Total reach- 6.3mn outlets	- Co is focused on strengthening its reach in rural and urban regions where it has a low presence. - **E-comm continued to gain salience, and growth in the channel was robust.** - E-comm salience- 1.4% - MT salience- 13.5% - Villages coverage- 44,068 - Direct retail coverage- 1.1mn - Total reach- 6.7mn outlets	- **Co tied up with players like Swiggy, Dunzo to ensure supplies to retailers during COVID.** - Co is also improving its presence in E-comm and MT and launched differentiated products in these channels. - E-comm salience- 2.4% - Villages coverage- 52,298 - Direct retail coverage- 1.2mn outlets - Total reach- 6.7mn outlets
Healthcare	- Ayurvedic products saw momentum due to ane emerging trend towards natural products. - Accordingly, co is expanding its Ayurvedic healthcare portfolio. - However, unfavourable summer and unseasonal rains impacted health supplements. - **Hajmola was expanded in an RTD format.** - Demand for OTC saw an uptick due to self-medication trend gaining traction. - Co also gained market share in cough syrup.	- **Naturals products saw strong traction, and the trend strengthened.** - Co positioned its Health supplements, especially Chyawanprash, around monsoon related diseases. - **However, demonetisation impacted sales during winter.** - Dabur Honey and Glucose continued to show strong growth. - Hajmola performance was steady, and co continued to launch new variants. - Ayurvedic based OTC, and Ethicals products saw strong traction.	- Ayurveda based products continued to gain traction. - Co expanded its portfolio in the category and intends to continue with innovative launches. - Chyawanprash and Honey reaffirmed market leadership. Glucose struggled in 1H. However, co witnessed a revival in 2H. - **Flavored variants of Hajmola saw strong traction.** - OTC and Ethicals saw a resurgence in demand driven by new Ayurvedic launches.	Honey, Chyawanprash and Hajmola drove growth **during the year.** - Co improved its presence in E-comm, and healthcare brands saw better consumer engagement. - Ayurvedic ethicals gained market share and growth was robust. - **Co is also focusing on associating with more regional ayurvedic doctors to create awareness about its products.**	- **Healthcare saw the bulk of innovations due to high consumer demand.** - Co intends to increase Healthcare revenue mix as the category has better margins than HPC. - **Ayurvedic products are expected to witness heightened demand.** - Co has various initiatives to create awareness and improve communication about its products. - Co intends to expand its immunity-boosting portfolio.

Particulars	FY16	FY17	FY18	FY19	FY20
Home & Personal Care	- **Co launched a premium baby care brand 'Dabur Baby'. Co introduced oils within the brand and intends to expand it across categories.** - New launches in hair oil saw strong traction. - Co continued with specialised communications in different markets. - Shampoo portfolio witnessed a slowdown due to increased competition. Co has revamped its portfolio and launched new variants to drive market share gains. - Co continued to gain market share in Oral care despite higher competition. - Skincare struggled despite new launches due to lower discretionary spend. - Home care continued to perform well led by Odomos.	- Co continued to expand its hair oil portfolio with Ayurvedic based variants. - Co also focused on expanding its markets and strengthening its reach in rural areas. - Shampoos saw a slowdown as the entry of new players led to heightened competition. The segment was also impacted by a cutback in discretionary expenditure. - **Dabur Red Paste reached Rs 5bn in Revenue, and Dabur Anmol Coconut Oil crosses Rs 1bn Revenue.** - **Dabur Red became the 3rd largest toothpaste brand in the country.** - Increased awareness of health and hygiene led to robust growth in Home Care.	- **Co focused on converting consumers of loose/unbranded hair oil to branded.** - Co also expanded its portfolio, and new launches saw strong traction driven by effective communications. - Co revamped its shampoo portfolio and relaunched Vatika with value additions. - Co continued to gain market share in both categories in oral care. - **Co launched Naturals variants within Skincare to capture the growing trend. It also invested behind its brands with renewed communication and aggressive marketing campaigns.** - Odomos and Odonil saw strong growth as penetration continued to improve.	- **Co invested heavily in increasing visibility for its hair oils. Despite new entrants and stiff competition, it was able to sustain its market share.** - Shampoo also saw strong growth as the co expanded its natural/herbal portfolio. - **Naturals category in Oral Care grew faster than other segments, and co saw market share gains.** - Skincare & salon brands like Gulabari, Fem Bleach and Oxylife saw robust growth. - Co made several innovative launches in its Home Care portfolio. - **Smaller SKUs saw higher demand and helped improve penetration in rural markets.**	- **HPC performed well till February. However, COVID impact led to flat sales for the whole year.** - Demand for hygiene products has been robust, and co has entered hand sanitisers. - Co continued to gain market share in hair oils. - **Co also launched products exclusively on E-comm to boost its share in the channel.** - Co expanded its shampoos portfolio. It also introduced new SKUs, specifically for MT. - **Dabur Red gained market share and became the no. 1 brand in several states.** - Co also launched variants to target the value segment within herbal toothpaste. - Co relaunched Odonil with new design, and the response has been strong.
Foods	- **Foods was the fastest-growing segment for the co led by continued portfolio expansion.** - Despite the disruption in supply to Nepal, co was able to sustain its growth, and Nepal saw a recovery in 4Q. - Co introduced a new sub-brand 'Wellnezz' and expanded 'Activ'.	- **Foods segment reached Rs 10bn revenue.** - Foods remained the fastest-growing category for the company. - **Co launched several new flavours and drove consumption by focusing on its 200ml SKU.** - Co also expanded Juices into new markets. - Juice market share- 56%	- Juices saw increased competitive intensity due to new players. - Co continued to gain market share and launched several new variants to drive growth. - Juice market share- 55% - **Co also expanded its Foods range with Mocktails in RTD format.**	- **Co launched a new Masala juice range which performed well.** - Co also focused its efforts on digital marketing, and Real is one of the co's most successful brands on E-comm. - Co intends to continue with innovative launches to drive growth.	- **Juices saw pressure as consumers shifted to lower-priced drinks.** - Co launched new products and SKUs to capture share at lower price points. - **Co launched Real Koolerz brand at Rs 10 price point.** - Juice market share- 61.5%

Particulars	FY16	FY17	FY18	FY19	FY20
International	- **Several International markets also saw the emergence of the naturals trend.** - Geopolitical tensions led to the disruption of Foods biz in Nepal. - MENA markets barring Saudi, UAE and Oman remained muted due to geopolitical tensions. - **Co maintained its no. 1 position in hair creams and hair oils in Egypt.**	- **International biz was hit by geopolitical tensions and currency devaluations.** - Several key markets in MENA and Africa struggled. - However, co saw strong cc growth in some of its smaller markets. - Co retained its market leadership in markets like Saudi Arabia and Egypt. - Turkey performed well, and co saw growth across the portfolio.	- **Co acquired D&A Cosmetics and Atlanta Body & Health Products to increase its presence in Africa.** - MENA was impacted by low oil prices and a cutback in government expenditure. - Co is primarily focused on herbal and natural products across geographies in its International markets.	- **International remained muted due to geopolitical headwinds and currency devaluations.** - However, cc growth remained strong. - MENA revenue remained under pressure due to lower govt spending. However, co gained market share in most categories. - CC growth in Africa was strong, although currency fluctuations impacted revenue.	- International clocked strong revenue growth pre-COVID. - **However, the pandemic and a sharp dip in oil prices heavily impacted demand in MENA.** - Co saw strong demand in Africa and gained market share in several categories in West African markets.
Innovative / Successful Launches					

Britannia

Key takes

- Britannia is expanding its portfolio and entering new categories in a bid to become a 'Global Total Foods Company'.
- The company has also expanded its direct reach aggressively from 1.26mn outlets in FY16 to 2.22mn outlets in FY20. It has been focusing on distribution to gain market share in the Hindi heartland.
- LUPs have been launched across brands to drive premiumisation and gain share from value segment players.
- Britannia has entered several new categories like salty snacks, milkshakes, croissants and cream wafers. The company is continually expanding its portfolio in each category and seeing strong traction in new launches.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- Co focused on innovation, distribution expansion and brand building to grow faster than the market. - Co invested in technology to improve cost efficiency in the value chain. - **Co also began expanding its digital presence using power brands.** - Total employees- 3,027	- **Co expanded manufacturing capacity across 5 locations.** - Commodity inflation was high during the year. Co took necessary price hikes. - Co focused on improving cost efficiency to protect margins. - Total employees- 3,206	- Co is focused on strengthening its presence in the Hindi belt, and revenue growth in these states is significantly ahead of others. - **Co is scouting for new categories it can enter to become a Total Foods company.** - Total employees- 3,794	- **Co has outlined its vision to become a 'Global Total Foods Company' and entered new categories.** - It is also focused on launching innovative products across categories. - Co has focused on cost rationalization by eliminating non-value-added expenses. - Total employees- 4,480	- Co has been focused on improving cost-efficacy across its value chain. - Co is investing in R&D to launch innovative products to be a 'Global Total Foods Company'. - **Co was able to restore normalcy to its supply chain quickly after the disruption caused by COVID.** - Total employees- 4,535
Demand	- Growth in FMCG slowed down due to broader economic stress. - **However, recovery was strong in 2H.**	- **Growth in 1H was robust.** - However, post demonetization, demand was under stress. - Geopolitical tensions impacted export demand.	- Category growth remained sluggish. - **Slowdown in growth from FY17 continued in 1H. However, co witnessed a recovery in 2H.**	- Growth in demand was steady. - However, 2H showed signs of a slowdown due to global factors and a liquidity crisis.	- Consumer spending was impacted due to economic slowdown. - **COVID further impacted buying for discretionary and premium items towards the end of the year.**
Distribution	- Direct reach stood at 1.26mn, increasing by 25% YoY. - Co launched Rural Preferred Dealers program. The number of Rural Preferred Dealers stood at 8,000.	- Direct reach stood at 1.55mn. - No. of Rural Preferred Dealers stood at 10,000. - Co has a presence in 4.7mn retail outlets.	- Direct reach stood at 1.84mn. - No. of Rural Preferred Dealers stood at 14,000. - Co has a presence in 5.2mn retail outlets. - Co has serviced 45,000 villages.	- Direct reach stood at 2.1mn. - No. of Rural Preferred Dealers stood at 18,000.	- Direct reach stood at 2.22mn. - No. of Rural Preferred Dealers stood at 21,000.

Particulars	FY16	FY17	FY18	FY19	FY20
Biscuits	- Goodday was relaunched with differentiated variants, new packaging and campaign. - Co also relaunched Milk Bikis, 50-50 and Tiger. Relaunched brands saw strong traction. - **Co reclaimed market leadership in biscuits.**	- Co is driving growth in biscuits through better positioning of its product mix and expanding distribution. - Co is also filling the gaps in its portfolio to meet consumer demand across price segments. - Co is also improving its presence in semi-urban and rural areas.	- **Good day and Marie continued to drive premiumisation due to LUPs and variants at different price points.** - Co continued to expand the health biscuits segment, and Nutri choice gained share. - Co is plugging gaps in its portfolio with new launches and making disruptive launches like Pure Magic Deuce.	- **Co is focused on driving premiumisation through LUPs and improved communication.** - Co is also expanding its presence in rural to drive growth. - Co competes with regional players to gain market share. - It is focused on continuous differentiation	- **Co is using a localised strategy for various brands to increase penetration.** - Co is primarily focused on capturing share in the Hindi heartland. - Co is also focused on continuous differentiation. - Co is also driving premiumisation through LUPs and improved communication.
Others	- **Bread continued to strengthen the most profitable health portfolio.** - Co is focusing on establishing a differentiated portfolio in Dairy.	- **Co entered a JV agreement to manufacture chocolate-filled croissants.** - Co is looking for further untapped opportunities in bakery and snacks. - Bread continued to strengthen its portfolio with healthier recipes. - Co is identifying opportunities for expansion in the dairy biz.	- Co is introducing packs at affordable price points in cakes along with eggless offerings. - It is focused on expanding the category through broader distribution. - The focus in rusk is to gain market share from unorganized players. - Co is managing profitability through its product mix in bread while maintaining growth trajectory. - **Co began milk procurement in Maharashtra and saw positive results for its dairy biz.**	- **Co launched products in 4 new categories (Snacks, milkshakes, croissants, cream wafers).** - Co continued to expand its cakes range. - Co intends to broaden the cake category through improved distribution. - Co is focused on gaining share from unorganized players in rusk. - Co accelerated its growth in dairy by focusing on core categories of cheese and yoghurt. It also made innovative launches in drinks.	- **New category revenue mix stood at 2%.** - Co is focused on broadening its portfolio in cake, bread and rusk. - Within the dairy business, co is focused on core categories of Cheese and Yoghurt. - **New launches in milkshakes saw strong traction and co continued to add flavours.** - Growth in cream wafers has been significant, and co is focused on driving penetration. - Co also launched centre filled croissants.
Innovative / Successful Launches					

Colgate

Key takes

- Colgate has focused on innovation and relaunches of successful brands to drive volume growth in toothpaste.
- The company has added variants in its Naturals portfolio over the last few years to capitalise on the trend.
- Innovation has been witnessed across the categories as the company entered battery-operated toothbrushes and expanded its personal care portfolio with handwash and hand sanitisers.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- Co is driving efficiency in its operations by setting up additional manufacturing units in India to meet demand. - Total employees- 2,278	- Co continued to invest in innovation and building brand presence. - It also invested in technology to improve engagement in urban as well as rural markets. - Total employees- 2,414	- Co ramped up investment behind its brands and focused on improving market share. - Co is focused on innovation and intends to expand its portfolio. - Total employees- 2,363	- Co continued to invest in A&P to strengthen brand positioning. - Co also invested in its digital marketing capabilities. - Total employees- 2,305	- Co continued to focus on strengthening brands through various campaigns. - **Innovation was the key driver of growth for the co.** - Total employees- 2,324
Demand	- Overall demand showed steady recovery. - Rural demand was muted due to weak monsoon.	- **Volume was under pressure due to a liquidity crisis in wholesale.** - Good monsoon supported rural demand.	- Demand environment was challenging. - Weak macros impacted sentiments.	- Demand environment remained challenging. - Co expects demand stress to continue.	- Demand was weak, and the category was witnessing a slowdown even before COVID.
Distribution	- **Co was able to gain market share across all channels due to improved presence.** - Co continued to invest in its relationships with dental professionals and consumers across channels.	- Liquidity crisis led to demand growth in the wholesale channel. - **Co supported its channel partners to strengthen its partnerships.**	- Co continued to expand its distribution across all channels with an increased focus on E-comm.	- Co continued to strengthen its presence in E-comm and MT. - **Co improved its distribution reach by 30% YoY.**	- **Co stepped up its focus on e-commerce with a fully dedicated team.** - **Co also made progress in its analytics with the use of predictive modelling for assortments in retail.** - Co continued to gain market share in E-comm and MT.
Oral Care	- Co continued to gain market share supported by innovative launches. - **Co is prioritizing its investments on oral care and expanded manufacturing capacity.** - Oral care revenue mix- 90%. - Toothpaste volume market share- 55.7%. - Toothbrush volume market share- 46.2%.	- **Co added variants in its Naturals portfolio as it aims to capitalize on the trend and continued gaining market share.** - Co focused on differentiated offerings in different markets. - Competitive intensity in oral care remained high, and co focused on brand building. - Oral care revenue mix- 90%. - Toothpaste volume market share- 55.1%. - Toothbrush volume market share- 47.4%.	- **Naturals segment saw a particular focus as co expanded its range with innovative launches.** - Co is focused on gaining market share and expanding its portfolio within oral care. - Premium portfolio struggled due to weak sentiments. - Oral care revenue mix- 95%. - Toothpaste volume market share- 53.4%. - Toothbrush volume market share- 44.8%.	- **Co relaunched Colgate Strong Teeth with renewed communication.** - Co also continued its momentum in the Naturals segment. - Co also strengthened its kids' portfolio. - Oral care revenue mix- 90%. - Toothpaste volume market share- 52.4%. - Toothbrush volume market share- 45.2%.	- **Colgate Dental Cream Strong Teeth was relaunched and was a key driver of growth.** - Co strengthened the kids' portfolio with new launches and improved communication. - **Co entered the battery-operated toothbrush segment to capture share in an emerging area.** - Co maintained market leadership in toothbrush and toothpaste. - Oral care revenue mix- 90%.

Particulars	FY16	FY17	FY18	FY19	FY20
Others	- Co introduced Palmolive Foaming Handwash range and liquid handwash for the first time in India. - Co intends to scale its personal care portfolio in the future.	- Co intends to drive growth in other personal care products by investing behind its brands and improving its presence.	- Personal care other than oral care accounted for ~5% of the co's revenue.	- **Co expanded Palmolive into Facial Bars.** - Co intends to continue with innovative launches in personal care.	- **Palmolive portfolio was expanded to meet consumer demand in accordance with trends.** - Co entered hand sanitisers to capitalize on the increased demand due to COVID.
Innovative / Successful Launches					

Godrej Consumers

Key takes

- New launches drove revenue growth over the past five years. GCPL has continued to remain focused on innovation across categories and ramping up launches in HI and hygiene.
- The company aggressively ramped up its rural distribution which stands at 8mn outlets across 66,000 villages in FY20. The focus on distribution expansion was across geographies and Indonesia, and Bangladesh saw robust expansion in distribution reach.
- E-commerce and MT were a key focus area, and GCPL launched 'The Black Box'- a dedicated facility to monitor and strengthen its digital presence.
- HI has struggled over the past few years due to increased market share for illegal incense sticks. However, the company invested in communication to educate consumers and regained some of the market share in FY20. HI also saw strong traction in Indonesia.
- GCPL ramped up its launches in Personal Care in the wake of the pandemic. New launches have continued over the past few years as well, primarily in the Naturals segment.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- Co faced delays in some of its innovations. It is working on improving the speed to market. **- 40% of the growth came from new products and innovations.** - Co intends to ramp up its digital capabilities. - Co has piloted 'Internet of Things' in its manufacturing and logistics to improve efficiency.	- Demonetisation created challenges in the supply chain, but a recovery in FMCG has been good. - Co sustained its increased market share in its core categories. - **Products launched in the last 5 years account for 20% of global growth and 35% of India growth.** - Co is ramping up its digital presence. - Focus remains on improving supply chain efficiency.	- Co will focus on stepping up organic growth, strengthening GTM and improving its digital capabilities. - Co is focused on innovating products to meet consumer demand and drive growth. - **Products launched in the last 5 years account for 20% of global growth and 35% of India growth.** - Co is continuously working on utilising automation to improve supply chain efficiency.	- Co is focused on improving its digital presence. - Co intends to pursue disruptive innovations in its categories to drive growth. - **Products launched over the last 5 years account for 20% of India business.** - Co is investing in improving digital capabilities to get better consumer insights. - Supply chain efficiency is being improved through several initiatives. Employee count- 12,000	- **Co intends to ramp up innovative launches.** - It is focused on extending leadership in core categories and geographies. - Hygiene forms 26% of global business. - Co has launched a data management platform in India to collect first-party consumer data. - Co has enhanced manufacturing capacity across geographies, and it is investing in supply chain efficiency. - Employee count- 11,257
Demand	- Currency and growth pressure kept emerging markets stressed. **- Co outperformed the industry in all categories.** - Consumer demand is showing recovery.	- Demand remained sluggish across geographies. - Global markets faced weakening sentiment and currency pressure.	- GST caused turmoil in demand. - HPC continued to struggle. - **Co saw market share gains despite weak sentiments.**	- Revenue was under pressure despite investments in innovation.	- **Innovations gained traction, and the co had its highest market share ever at March exit.**

Particulars	FY16	FY17	FY18	FY19	FY20
Distribution	- Co is focused on strengthening its reach, increasing it 37% over the last 3 years. - **Co intends to expand its rural coverage by 50%.** - Establishing a strong e-comm presence with customized product assortments for different portals is a focus area.	- Co is using sales data to optimize stock movements, production schedules and RM purchases. - **Direct coverage increased by 12% YoY.** - Co drove the availability of wider portfolio in urban markets through 'Project Optimus'. - Co is enhancing e-comm capabilities to drive premiumisation.	- **Direct distribution reach in India was 1.2mn.** - Co launched initiatives to enhance MT channel partner engagements. - Co launched 'The Black Box' a digital command centre in Mumbai to evaluate brand performance and improve its digital presence. - Co intends to drive the growth of premium products through e-comm. - Co launched extensive go-to-market initiatives to gain market share in Indonesia.	- **Direct distribution reach in India was 1.3mn.** - **Rural distribution reach stood at 5.8mn outlets.** - **Rural growth was 2x of urban.** - Co is building a focus on Middle India and launched segment GTM initiatives. It covers 55,000 outlets. - Co has set up a separate e-commerce unit in India to focus on expanding the channel. It is also focused on improving e-comm capabilities globally. - Co started a loyalty programme 'Sahabat Godrej' in Indonesia to increase wholesale efficiency and indirect coverage.	- **Rural distribution reach stood at 8mn outlets in 66,000 villages.** - Cash and carry channel grew 22% YoY. - Co continued to invest in e-commerce capabilities, and the channel grew 77% YoY. - **Co also forayed into Direct to Consumer with three Indian brands.** - Co is ramping up MT with portfolio prioritisation and improving fill rate. - It is also employing tech-based loyalty programmes to strengthen channel partner relationships. - Active outlet in Indonesia reached 1,10,000. - Direct reach in Bangladesh grew to 1,00,000 outlets.
Household Insecticides	- Launches like Good knight flashcards and Neem Activ have been a runaway success. - **GoodKnight Liquid Vaporiser crossed Rs 10bn.** - Air fresheners have 6% revenue mix and are a focus area for the co.	- Co launched several innovative products within HI, which were received well. - **GoodKnight Liquid Vaporiser crossed Rs 10bn and achieved highest ever market share.** - Air Fresheners more than doubled YoY.	- **Market share in HI returned to over 50% despite disappointing overall performance.** - HI struggled in Indonesia due to weak demand and high competitive intensity.	A surge in illegal incense sticks impacted-HI. - **Co is driving its own incense sticks to counter them.** - Co saw strong improvement in Indonesia.	- **Co is increasing focus on HI as higher health awareness will drive demand.** - **Co expanded HI into Africa.** - Co wants to drive penetration with LUPs and premiumisation with higher-end variants.
Personal & Hair Care	- Co is focused on strengthening market share across categories and beating industry growth. - **Acquisition of Strength of Nature will allow co to capture ethnic hair care market share globally.** - Co intends to expand it into Africa.	- Co continued to outperform the industry in all its categories. - **Co retained the no. 2 position in soaps.** - Currently, hair care for women of African descent has 20% revenue mix. Co intends to double this over 4 years. - Integration of Strength of Nature is progressing well, and co intends to scale wet hair portfolio in Sub-Saharan Africa.	- Co forayed into professional haircare with Godrej Professional. - Currently, hair care for women of African descent has 21% revenue mix. Co intends to double this over 4 years. - Acquisition of Strength of Nature has made GCPL a leading global ethnic hair care player.	- Mr Magic is the first-ever powder to liquid handwash. - Co extended Cinthol into male grooming. - Henna range was expanded. - Co continued scaling up its hair care portfolio in international markets. - Currently, hair care for women of African descent has 21% revenue mix.	- **Co expanded its hygiene range rapidly to meet the influx of demand since COVID.** - Co continued to upscale soaps and hair colours by launching variants containing various natural ingredients. - Braid launches saw a strong response in Africa.
Innovative / Successful Launches					

Marico

Key takes

- Marico has focused on expanding its distribution reach, which stands at 5.1mn outlets vs 4.6mn in FY16. The company has primarily expanded its presence in rural markets and now has a presence in 58,000 villages.
- Within PCNO, Marico has launched LUPs and variants to drive migration from loose/unbranded oil to branded oil. The company has seen substantial market share gains across regions.
- VAHO has driven premiumisation through innovative launches and LUPs. Launches have been focused on the value segment to drive penetration, and the company is driving premiumisation through LUPs for its premium offerings.
- Personal Care has seen increased salience from e-commerce, and the company has focused on expanding its presence in the channel.
- Saffola has witnessed strong growth and penetration, driven by MT and e-commerce. Other launches in Foods have also gained traction. Lockdown has significantly boosted the Foods segment as consumers are unwilling to eat out and home cooking has increased.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- **Co continued to gain market share in 80% of its portfolio and is the market leader in 90%.** - Co has stepped up its R&D investments to drive innovative product development. - Co is also investing in IT and digital initiatives. - Co has identified innovation, go to market transformation and value management as the key focus areas. - India employee count- 1,463	- **Co aspires to be a marketing leading emerging market MNC by FY22.** - It is stepping up efforts to become future-ready by investing in innovation, go to market transformation and value management. - India employee count - 1,588	- Co will focus on innovation, go to market transformation, and value management. - Co passed on price benefit of GST to consumers. - Co intends to gain market leadership in leave-in hair nourishment and male grooming. - **Co is aiming for 8-10% volume growth in FY19.** - Commodity prices remained volatile and could dampen growth. - India employee count - 1,665	- **Price hikes in the core portfolio led value growth.** - **Co is focusing on disruptive innovations and establishing a presence in e-comm.** - Co is aiming for 8-10% volume growth in FY20. - India employee count - 1,683	- 85% of the co's portfolio is daily use items and hence, recovery from COVID is expected to be quick. - Co intends to continue expanding its hygiene portfolio and capitalise on the health and hygiene trend. Co aims **for 13-15% revenue growth with 8-10% volume growth in the medium term.** - India employee count - 1,631
Demand	- **Near term demand is a concern due to droughts, but the overall economy shows signs of recovery.** However, due to a good monsoon's expectation, consumption is expected to pick up in FY17.	- **Rural demand continued to be sluggish due to two consecutive poor monsoons.** - Demonetisation led to strained demand. - Overall market saw a slowdown in 1H but showed signs of recovery in 2H.	- Demand slowed down post demonetisation, but it improved later. - GST impacted demand in 1H. - Overall demand remained muted. However, discretionary categories witnessed some revival in 2H. - **Normal monsoons are expected to accelerate recovery.**	- **Consumption received an impetus from reduced GST rates.** - Demand trends remained stable throughout the year. - Rural economy is expected to recover, and demand is expected to be stronger in FY20.	- Demand remained under pressure due to weak sentiments and liquidity constraints. - **Rural growth slowed down. However, rural demand is expected to recover on the back of a normal monsoon and government incentives.**

Particulars	FY16	FY17	FY18	FY19	FY20
Distribution	- Rural sales grew 8% vs 6% YoY for urban. - Rural has a 34% revenue mix. - **Total distribution reach stood at 4.6mn outlets.** - Co is focused on expanding its reach and instituted multiple initiatives for the same. - MT posted 15% YoY growth, ahead of GT.	- Rural sales declined 6% vs flat YoY in urban due to weak monsoon. - Rural has a 31% revenue mix. - **Total distribution reach stood at 4.6mn outlets.** - MT saw strong growth of 12% YoY. - Co is focusing on transforming its go to market strategy and expanding across all channels. - **Co has taken steps to stay ahead of the competition in e-comm and dedicated resources to strengthen its infrastructure.**	- Rural growth outpaced urban. Rural grew by 12% vs 5% YoY in urban. - **Rural has a 32% revenue mix. Co expects this to increase by 3-4% in 3-5 years.** - **Total distribution reach stood at 4.7mn outlets.** - Growth in MT and E-comm was ahead of GT at 15% YoY. E-comm is now 1% of revenue as it almost quadrupled.	- Rural grew by 17% vs 7% YoY in urban. - **Total distribution reach stood at 5mn outlets.** - **Faster growth in internet user base will drive e-comm growth.** - - MT and E-comm growth was strong at 18% YoY. - **Co identified chemist and cosmetic channels as key drivers of growth.** - Co is building technology to improve merchandising on the ground and gain competitive advantage. The tools will also help the co keep track of various other supply chain parameters.	- Rural declined by 3% vs 8% YoY in urban. - Rural has a 31% revenue mix. - **Total distribution reach stood at 5.1mn outlets.** - **Co has a presence in 58,000 villages.** - It has expanded its stockist base by 33% to expand rural and urban reach. - MT and E-Comm has 17/5% revenue mix in India. The channels clocked 27/43% YoY growth. - **Growth in e-comm was robust. E-comm accounts for 2% of FMCG market pan-India and 6% of urban.**
PCNO & VAHO	- **To protect consumer franchise and maintain momentum co took price cuts of 12%. The deflation drove this in copra.** - Non-focused portfolio (pouch packs) struggled as co did not correct pricing significantly. - 30-40% of the coconut oil market is in loose form. PCNO is well poised to capture share from conversion to branded. - Overall coconut oil market share rose to 59%. - **Co continued to grow faster than the industry in VAHO.** - **VAHO portfolio for co has a 10 yr CAGR of 30%.**	- Co is focused on protecting consumer franchise and maintaining volume momentum. - **Copra saw deflation leading to price cuts in the coconut oil industry.** - Overall coconut oil market share stood at 58%. - Co has targeted 5-7% volume CAGR over the medium term. - VAHO growth was faster than the industry. - VAHO market share stood at 33%. - **Co aims to become a volume market leader in amla hair oils.** - **Co is targeting the bottom of the pyramid segment.** - It is also focusing on premiumising existing consumers. - PCNO consolidated leadership in Bangladesh despite weak revenue.	- **PCNO margins were dented significantly due to sharp copra inflation.** - Co took price increases to offset the impact partly. - Overall coconut oil market share rose by 90bps to 59%. - Co has targeted 5-7% volume CAGR over the medium term. - Co passed on benefits of GST in VAHO and cut prices by ~5%. - **Co is targeting the bottom of the pyramid through Rs 10 packs.** - VAHO market share stood at 34%. - PCNO demand was weak in Bangladesh although co retained market leadership.	- **Pickup in rural spending presents co with an opportunity to expand PCNO in rural.** - Co is focused on franchise expansion and market share gains. - Overall coconut oil market share rose to 59.4%. - Co has targeted 5-7% volume CAGR over the medium term. - **Volume growth in VAHO was below target due to weak CSD and underperformance in the premium segment.** - VAHO market share stood at 34%. - **Co expanded its presence in LHO.** - It also strengthened its bottom of the pyramid portfolio to drive penetration. - Bangladesh growth was spearheaded by VAHO while PCNO retained market leadership.	- Co is focused on driving unbranded conversion into branded and gaining market share in organized coconut oil. - 30-35% of the coconut oil market is in loose form. -Overall coconut oil market share improved by 208bps to 62%. - **PCNO market share in rural (47%) is lower than urban (61%).** - PCNO growth in Bangladesh expected to be in single digits as the category has matured. - Rural demand in VAHO remained weak. - **Underperformance in mid and premium categories dragged VAHO.** - VAHO market share stood at 35%. - Co is focused on VAHO within Bangladesh and clocked 29% YoY growth.

Particulars	FY16	FY17	FY18	FY19	FY20
FMCG	- Gels, deodorants and leave-in serums struggled. - Co gained significant market share since the relaunch of Set Wet Gel. - Co is focused on expanding its market share across categories. - **Co expects all 3 verticals to post double-digit growth in the near term.**	- Co continued to drive penetration for categories like gels, deodorants and leave-in serums. - **Co saw market share gains across its portfolio despite macro headwinds.** - Co has started focusing on e-comm in these categories. - Co maintained market leadership in male grooming in Vietnam. Co expects category growth to continue over the medium term.	- **Sachets emerged as a key pack in driving penetration for leave-in serums.** - Co intends to innovate within male grooming and drive market growth. - Co also launched products at the top end of the pyramid to drive premiumisation. - Male grooming underperformed in Vietnam. Co managed to retain leadership in shampoos and second position in deodorants	- Co launched a new age hair nourishment product range. - **It also created a new category with the launch of botanical hair tonic. It was launched exclusively on e-comm and then scaled to GT.** - Male grooming continued to perform well due to new launches and effective marketing. - Co entered premium skincare, and it launched products across all channels. - HPC led the growth in Vietnam.	- **Premium personal care remained muted due to a dip in discretionary spending.** - Market share in leave-in conditioners stood at 65%. - Men's Hair Creams saw strong momentum on e-comm. - HPC struggled in Vietnam. Co will continue to invest in male grooming in the region. - **Co forayed into hygiene with hand sanitiser and Veggie Clean launches.** - Co also entered baby care in Bangladesh.
Foods	- Recovery in 2H was strong, led by initiatives taken by the co. - **Saffola continues to benefit from changing lifestyle and higher focus on health and fitness.** **- Co expects double-digit growth in Saffola oil in the near term.** - Saffola oil market share expanded to 63%. - Saffola oats increased its market share to 27% while Saffola Masala Oats market share grew to 70% in flavoured oats.	- Rising health awareness provides Saffola with high growth potential. - **Co has focused on designing communication of the brand as a healthy alternative.** - Saffola oil market share expanded to 66%. - Saffola oats market share stood at 27% while Saffola Masala Oats market share was 69% in flavoured oats.	- Saffola oil market share expanded to 69%. - Saffola oats strengthened its position in oats with 28% market share. - Saffola Masala Oats market share grew to 70% in flavoured oats supported by portfolio expansion. - **Co focused on extending Saffola's health footprint with marketing and new product launches.**	MT and E-comm led the growth in Saffola. - Co started marketing campaigns to highlight the health benefits of Saffola. - Saffola oil market share expanded to 73%. - Saffola Masala Oats market share grew to 72% in flavoured oats due to a significant increase in penetration. - **Co expanded the health foods category with FITTIFY and Coco Soul.**	- **Resurgence of in-home cooking will drive Saffola growth.** - Co is continuing with differentiated packs and pricing strategies in different channels. - Saffola oil market share expanded by 350bps to 76%. - Saffola Masala Oats market share grew to 86% in flavoured oats driven by distribution expansion and traction in e-comm.
Innovative / Successful Launches					

Emami

Key takes

- Emami has focused its investment in its power brands to gain market share. The company has also expanded its portfolio within necessities rather than discretionary categories.
- Rural distribution expansion has been a key focus area. Emami's village presence has grown from 13,300 in FY16 to 20,000 in FY20.
- The company has focused on expanding its India portfolio to reduce seasonal dependence.
- The company expanded its presence in MENA. Acquisitions such as Crème 21 also supported growth in the International segment.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- Co is focusing on enhancing sales force effectiveness. - **It is investing heavily in its IT infrastructure to increase automation and drive efficiency.** - Co is also using business analytics to gain a better understanding of its supply chain. - Total employees- 2,900	- **Unorganised sector was disrupted due to demonetisation, and organised players were able to gain market share.** - Co expects to become debt-free in FY18. - **Co continued to focus on necessary products over discretionary.** - Total employees- 3,100	- Co is focused on investing in IT to improve automation and efficiency. - It intends to digitalise its cost management process. - It is also focused on optimizing its supply chain and procurement. - Total employees- 3,292	- **Co is focused on creating a balanced portfolio and reducing seasonal dependence.** - Co intends to continue growing its power brands. It will also launch innovative products in under-penetrated categories. - Total employees- 3,185	- Co focused on driving its power brands and increasing market share. - **Power brands strategy helped the co deliver resilient performance.** - It also launched initiatives to reduce costs and improve margins. - Total employees- 3,215
Demand	- Demand remained muted due to weak macros. - **Low rural wage growth led to weak rural demand.**	- Demand was robust in 1H. However, demonetisation affected consumer sentiments. - **Aggregate demand witnessed a persistent slowdown in 2H.**	- Demand was impacted due to GST as a wholesale channel came to a standstill. - **Impact of demonetisation continued in rural markets.**	- Consumer sentiments remained weak and economic slowdown continued. - **However, growth remained strong in rural and co witnessed signs of recovery.**	- Consumer confidence remained low, and the demand was weak. - **COVID further impacted demand as consumer cut back on discretionary expenses.**
Distribution	- Direct reach stood at 0.64mn with distributor count of 2,900. Total reach was 4mn. - Co's reach stood at 13,300 villages. - **Co covered 94% of its secondary sales under its software.** - Co is using business analytics to bolster its presence in MT. - Co expects e-comm to gain significance over the next few years as internet availability across the country improves. - Co is setting up a third unit in North East which will commence operations in FY17.	- Direct reach stood at 0.73mn with distributor count of 3,250. Total reach was 4.3mn. - Co's reach stood at 16,700 towns. - **Co is focused on expanding its footprint in urban as well as rural markets.** - **Co intends to double its rural coverage in 2 years.** - It also initiated the project 'Dhanush' to enhance direct rural reach through van operations. - Co is also focusing on scaling its products into newer markets through its channels.	- Direct reach stood at 0.85mn with village reach of 25,000 Total reach was 4mn. - **Despite weakness in rural demand, recovery is expected to be quick in FY19. Rural growth is expected to be ahead of urban.** - Co also expanded its direct distribution across urban markets to reduce dependence on wholesale. - Co sharpened its focus on MT and E-comm as key growth drivers. - Co is partnering with key MT players to develop business plans to drive demand. Co is also investing in analytics to identify key focus areas.	- Direct reach stood at 0.94mn with distributor count of 3,250. Total reach was 4.5mn. - Co's reach stood at 20,500 towns. - **Rural growth was ahead of urban.** - Co focused on automation within sales to ensure effective coverage and increase direct distribution. - Co took initiatives to strengthen itself in MT, and the channel grew 43% YoY. - **Co focused on improving its digital infrastructure, and the channel grew 112% YoY.**	- Direct reach stood at 0.94mn while total reach was 4.5mn. - Co's reach stood at 20,000 villages. - **MT and E-comm grew 16% YoY, and revenue mix reached 9%.** - Co focused on improving its MT presence with a better fill rate, strengthening relationships with channel partners to improve penetration. - Co expanded its presence on e-comm platforms.

Particulars	FY16	FY17	FY18	FY19	FY20
India	- **Co completed the acquisition of Kesh King.** - Co continued to launch innovative products under personal care which saw strong traction. - **Co is also driving premiumisation by launching premium variants in existing brands.** - Navratna market share stood at 60.5% - Kesh King market share stood at 35.4%. - Boroplus antiseptic cream market share stood at 76.9% - **Co is setting up a third unit in North East which will commence operations in FY17.**	- **Despite demonetisation, Navratna cool talc and Boroplus antiseptic cream saw robust growth.** - 7 Oils in One, F&H facewash and HE deodorants also continued to gain traction. - **Co has reduced its dependence on core brands and expects new launches to drive revenue growth.** - Navratna market share stood at 61.1% - Kesh King market share stood at 32.1%. - Boroplus antiseptic cream market share stood at 76%. - **Co's new unit at Pacharia commenced operations.**	- Co continued to launch new products in PC and healthcare - **Co is focusing on developing a product mix that can capture share in rural markets.** - **It is focusing on necessary items over discretionary.** - Navratna market share stood at 63.8% - Kesh King market share stood at 27.9%. - Boroplus antiseptic cream market share stood at 74.4%. - **Co commissioned its Pacharia plant which is fully automated.** - It also expanded manufacturing capacity in Zandu for Ayurveda products.	- Kesh King saw healthy growth as co's initiatives to revive the brand paid off. - Recovery was visible in the Healthcare segment. - **Delayed winter impacted sales of summer products.** - Co continued to launch variants in existing brands to drive penetration and premiumisation. - Navratna market share stood at 66.1% - Kesh King market share stood at 25.8%. - Boroplus antiseptic cream market share stood at 73.3%. - Co established a Chyawanprash manufacturing and filling facility. - Co also enhanced its manufacturing capacity for Zandu Balm and Mentho Plus Balm.	- **Navratna Oil is expected to deliver strong growth in the medium term despite its market leadership.** - **Change in communication for Zandu Pancharishta revived growth.** - F&H relaunch has been postponed to FY21. - Kesh King market share stood at 26.6%. - **Co focused on increasing its intensity in Ayurveda-based products.** - Navratna market share stood at 66.4% - Boroplus antiseptic cream market share stood at 74.1%. - Co expanded into Hygiene products to meet consumer demand. It has also launched multiple products in Healthcare range.
International	- **F&H became the market leader in the UAE and no.2 in Bangladesh and Saudi Arabia.** - Navratna continued to enjoy market leadership in its international markets.	- **Weak demand in GCC led to the segment clocking degrowth.** - Declining oil prices kept offtake in GCC muted throughout the year. - 7 Oils in One continued to witness traction in SAARC. - Co expanded Kesh King and BoroPlus facewash in Bangladesh and received a strong response. - South-East Asia did well led by Myanmar, Malaysia and Singapore.	- **Co commissioned its first-ever international manufacturing unit in Bangladesh.** - **It also entered a tie-up with a manufacturing company in Sri Lanka to outsource production.** - GCC saw recovery after a year of geopolitical uncertainty. - Co expanded Kesh King in Bangladesh and test marketed in other markets like Nepal and UAE. - Co deployed larger teams in Latin America and North Africa and expanded its distribution network.	- **Acquisition of Crème 21 helped co expand its portfolio in international markets.** - MENA markets saw recovery leading to robust growth. - Co also started subsidiary operations in Sri Lanka which saw strong traction. - Co continued to expand its distributor network in key markets.	- **Overhauling of distribution led to strong performance in International. Bangladesh led growth.** - Crème 21 integration was completed, and the brand witnessed a strong response in its key markets. - 7 Oils in One increased its market share globally. - Co expanded its products in GCC as well as Russia. - Co expects International to emerge as a key revenue-driver post COVID.
Innovative / Successful Launches					

Jubilant FoodWorks

Key takes

- Jubilant has revamped its store design and product quality since FY17 and witnessed a boost in SSG.
- It has also entered into casual Chinese with Hong's Kitchen and intends to scale the brand gradually.
- Investments in technology have been consistent, and Jubilant has launched a revamped mobile app for Domino's and Hong's with delivery tracking. Share of online ordering within delivery for Domino's has risen consistently, and it stood at 86% in FY20 vs 36% in FY16.
- Dunkin Donuts has been scaled down, and the company is focused on profitable expansion. It closed down unprofitable stores to consolidate its position and achieve breakeven and started to expand only after traction improved.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- **Co expanded into new territories to improve their presence in semi-urban markets.** - Co continued to invest in technology to improve its digital presence. - Co expanded its marketing initiatives in digital marketing to improve customer engagement. - Co also launched a new mobile ordering application with the enhanced user interface. - Total employees- 27,719	- **Co sustained its investments in technology and turned its focus towards growing online orders.** - Co also intends to launch innovative new products and new marketing campaigns. - Improvement of consumer experience, through the quality of food and customer service, is the priority going forward. - Co also intensified its efforts in improving cost efficiency. - **Co began operations at new supply chain centres in Greater Noida, Ahmedabad and Chennai to help it harness better operational efficiency.** - Total employees- 26,604	**- Co introduced Everyday Value offers which saw a strong response from consumers.** - **Co also introduced centralised call centres for order taking.** - Co focused on cost rationalisation through manpower optimisation, closing down unprofitable stores and implementing technology to improve efficiency. - Co created a digital team to drive technological capability. - **It is investing in data analytics, restaurant technology and improving digital marketing.** - Total employees- 27,539	- **Co rolled out a new store design for Domino's to improve the dine-in experience. It intends to scale this design to existing stores, and all new stores will feature this design.** - **Co also launched new apps for Domino's and Hong's to drive online ordering and improve its digital presence.** - Co intends to continue investing in technology to acquire better analytics and drive its fortressing strategy. - Co also sponsored IPL with Domino's to improve its brand positioning and drive revenue among viewers. - Total employees- 28,286	- **Co is witnessing a sharp increase in demand for delivery, and consumers now prefer to order from trusted brands.** - Co expects the foodservice industry to be significantly impacted in the near term. However, recovery for the organised sector will be quicker than unorganized. - Co continued to invest behind its technology and data science to improve operational efficiency. - It also improved on its web interface to enhance the consumer experience. - Co expanded its new store design which includes self-ordering kiosks and contemporary design. - **It implemented GPS ride tracking for orders in its mobile app.** - Total employees- 31,514

Particulars	FY16	FY17	FY18	FY19	FY20
Demand	- Broader sentiment remained weak, and consecutive weak monsoon impacted rural income. - However, the foodservice industry saw robust growth due to a change in eating out habits among youth. - **Growth of aggregators also aided growth in the industry.**	- Demand continued to be under stress. - Consumer sentiments were furthered weakened by demonetization. - **Foodservice industry was impacted adversely as consumers focused on essentials and staples and discretionary expenditure dipped.**	- Wider demand slowed down following the implementation of GST. - Foodservice industry was also impacted due to weak sentiments. - **However, reduced taxation through GST is expected to aid the industry due to lower prices.**	- **Foodservice industry witnessed consistent growth throughout the year.** - **Online ordering gained salience across cuisines as aggregators expanded their presence**. - However, despite increased instances of eating out, affordability was the key driver for consumers.	- Demand was challenging throughout the year. - **However, the frequency of eating out among Indian households continued to increase.** - COVID exacerbated the impact on consumer sentiments and adversely impacted the foodservice industry.
Store Expansion	- Co continued to expand store count and opened 170 new stores across both brands. - **Co saw 150 new Domino's stores for the third year in a row.**	- **Co has recalibrated its expansion plan to focus on profitable expansion.** - Co shut down loss-making units in both Domino's as well as Dunkin Donuts. - Store expansion is focused on new cities and towns.	- Co focused on consolidating its stores by closing down unprofitable ones. - It also focused on improving the customer experience in existing stores. - **It intends to follow a fortressing strategy to capture markets.**	- Co opened 102 new stores and continued to expand its footprint. - **Co intends to scale up Dunkin Donuts and Hong's to establish a strong presence across cuisines.**	- **Co continued with its fortressing strategy and added 130 stores during the year.** - Co entered 10 new cities to improve its presence in semi-urban markets. - **Co piloted towards a small kiosk-based model for Dunkin Donuts.**
Domino's	- **Co introduced a new channel- 'Domino's On-The-Go' at transit points with high footfall and low ticket value.** - Co continued to launch innovative new products. - Various initiatives like 'Pizza Mania in Fresh Pan' and 'AHA value meal'. - Co also introduced different restaurant formats like Pizza Theatre design. - Share of OLO in delivery grew to 36%.	- **Co launched innovative products like Burger Pizza which saw strong traction.** - Co intends to continue with innovative launches to drive new customer acquisition. - Co focused on improving customer engagement in stores via new marketing campaigns and initiatives like 'Junior Pizza Maker'. - Co also invested in technology to improve the quality of consumer feedback it receives. - Share of OLO in delivery grew to 46%.	- Co launched "All New Domino's" with upgrades in pizza quality and customer experience. - Co is also focusing on product innovation and intends to launch products that meet consumer preferences. - **Co diversified its product offerings with new side dishes as well as an expanded range of pizzas.** - **Co also launched Super Value Menu in small cities to improve customer engagement.** - Co launched late-night delivery in 52 stores across 7 cities. - Share of OLO in delivery grew to 58%.	- **Co entered into a partnership with PepsiCo as the new beverage partner.** - It launched 'World Pizza Leagues' which includes 10 new pizzas. - Co extended its Everyday Value offer to regular pizzas to drive customer acquisitions. - Co added multigrain crust to its menu to cater to the demand for healthier options. - Co scaled all night delivery to 78 stores across 7 cities. - Share of OLO in delivery grew to 70%.	- Co introduced a brand of value-added beverages under 'Thirsteez'. - Co introduced various new pizzas and ran promotional campaigns like 'World Pizza League' to drive volume. - **Domino's continued to partner with more aggregators to strengthen demand from alternate channels.** - **Co has covered 57 cities in all night/late night delivery with 307 stores covering the delivery area of 712 stores.** - Share of OLO in delivery grew to 86%.
Others	- Dunkin Donuts continued to spread across the country and customer response improved. - Dunkin expanded its menu to include more beverage options along with innovative food options. - **Co also focused on improving its presence in the value segment.**	- Co continued to evolve the menu for Dunkin Donuts and expanding its presence in the value segment. - **Net stores saw a reduction as co shut down unprofitable stores and focused on profitable expansion.**	- **Co continued to make progress on its goal of halving losses in Dunkin' Donuts and driving the brand towards breakeven.** - Dunkin' also launched low priced donuts and coffee drinks.	- **Co ventured in Chinese fast-casual segment with the launch of Hong's Kitchen.** - The brand will follow a dine-in + delivery model, and the co launched a separate app. JFL will handle the last-mile delivery. - **Dunkin Donuts saw breakeven in 3Q and sustained its growth momentum.**	- **Co expanded Hong's to 4 stores.** - Hong's menu was expanded with the addition of Veg soups, and consumer response has been encouraging. - Co launched new premium donuts along with expanding its beverage portfolio in Dunkin Donuts.

United Spirits

Key takes

- UNSP has focused on driving revenue by gaining share in on-premise and event-related consumption.
- The company improved the balance sheet by disposing non-core assets and reducing debt.
- In FY20, UNSP deployed 'TRAX', an IT tool to analyse inventory levels with retailers based on product display images. The company is investing in improving its engagement with trade partners to secure favourable placement in retail displays.
- P&A revenue mix has improved consistently from 53% in FY16 to 65% in FY20. UNSP also launched pocket-size variants in certain brands to drive premiumisation.
- The company has strategically reduced its focus on Popular segment due to the better margin profile and penetration opportunities in P&A.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- **Co is investing in its core brands to strengthen its positioning in the market and gain market share over the next few years.** - It is also focusing on productivity gains by improving efficiency. - Co rolled out its Sales Force Automation process across 5 states and intends to scale it pan-India. - Total employees- 5,705	- **Co focused on boosting margins through improved productivity and operational efficiencies.** - Co is also focused on reducing debt through disposal on non-core assets. - Co intends to focus on its core brands and capture market share through renovations in the brand and diversification within geographies. - Total employees- 5,048	- **Co saw price hikes in several key states during the year.** - **Co expanded franchise agreements for manufacturing and distribution of selective brands into more states. This will allow co to focus on its core brands.** - Loss of input tax credit due to GST led to an increase in costs. - Total employees- 4,427	- Co expects growth in P&A to be much faster than the rest of the industry over the next decade. **- Co has increased its focus on events and weddings as well as on-premise consumption.** - Co continued to invest in its brands across categories. - Co is also focused on improving its efficiency across cost items and reducing operating overheads. - Total employees- 3,546	- **Co is focused on expanding its portfolio with new variants/ flavours.** - Co continued to invest behind its power brands and improvise effectiveness of it's A&P. - Co focused on cost optimization from the beginning of the year due to the expected revenue pressure. - It focused on optimizing overheads and improving efficiency in its supply chain. - Total employees- 3,382
Demand	- **Regulatory challenges like prohibition in Bihar are expected to impact demand and lead to illicit alcohol growth.**	- **Demonetisation, ban on the sale of alcohol near highways and prohibition in Bihar kept demand muted.** - However, the premiumisation trend continued, and the demand for luxury liquor was strong.	- **Ban on sale of alcohol near highways impacted demand adversely leading to declining volumes.** - However, the court has now clarified the ruling leading to more favourable conditions.	- **Demand improved after a challenging FY18.** - Regulatory environment was stable, and route-to-market changes were better managed.	- Consumption remained muted throughout FY20. - **Sentiments were weak even before COVID, and the lockdown exacerbated the challenges.**

Particulars	FY16	FY17	FY18	FY19	FY20
Distribution	- Co has a distribution network of 81,000 outlets.	- Co is focused on creating brand imagery through on-premise and off-premise channels due to prohibition on alcohol advertisements. - Co has a distribution network of 81,000 outlets.	- **Co is leveraging its retail outlets to gain consumer attention. It is focused on gaining preferential placement.** - Co also continued to build its brand using on-premise channels. - Co has a distribution network of 85,000 outlets.	- Co is focusing on capturing consumer attention through preferential placements in retail outlets. - **It also collaborated with the party and night-life content ecosystem and increased spends on digital media.** - Co has a distribution network of 65,000 outlets.	- Co continued to invest behind technology to improve management of trade channels. - **Co has also deployed 'TRAX', an IT tool that uses real-time product display images on retail shelves to analyse stock availability.** - Co has a distribution network of 65,000 outlets.
P&A	- P&A revenue mix stands at 53%. - **Following the success of Royal Challenge after its relaunch, co has now relaunched McDowell's No.1.** - Co has also rebranded other brands such as Signature. - Co stayed on course its premiumisation strategy. - It also integrated the Diageo portfolio with USL, adding 20 brands. - 15 of the co's brands are millionaire brands, and 3 brands sell more than 10mn cases.	- P&A revenue mix stands at 58%. - **Renovated launches in whisky drove growth in P&A as co continued to drive premiumisation.** - P&A will be the key focus area for the co as the segment is the most profitable. - 18 of the co's brands are millionaire brands, and 4 brands sell more than 10mn cases. - Co expects P&A industry to grow at 14% CAGR over the next 5 years.	- P&A revenue mix stands at 63%. - **McDowell's No.1 Luxury variant grew 103% YoY and crossed 2mn cases in sales in the 2nd year of launch.** - Co scaled up several other brands such as Signature, Captain Morgan Original Rum and Royal Challenge. - Co continued to focus on strengthening its core brands and driving premiumisation. - 15 of the co's 100 brands are millionaire brands, and 2 brands sell more than 10mn cases.	- P&A revenue mix stands at 66%. - Premiumisation trend continued, and P&A led growth for the co. - Price mix saw improvement as the luxury segment saw strong growth. - **Renovated launch of McDowell's No. 1 Platinum saw 82% YoY growth.** - 11 of the co's 80 brands are millionaire brands, and 2 brands sell more than 10mn cases.	- P&A revenue mix stands at 65%. - Co relaunched its two biggest Prestige brands- Royal Challenge and McDowell's No. 1. - **Co also launched a portable scotch whisky in pocket-sized format, 'Hipster'.** - McDowell's relaunch and Black Dog supported revenue in P&A. - 11 of the co's 80 brands are millionaire brands, and 2 brands sell more than 10mn cases.
Popular	- **Temporary pricing challenges led to a volume decline in Popular.** - However, co continued to gain market share across brands.	- **Co has built a fit-for-purpose business model to participate in Popular category only in certain states.** - Co will enter franchise agreements for its brands in other states.	- Popular segment saw weak growth after adjusting for one-off impact during the year.	- Sales in popular segment remained flat as the co continued to focus on premiumisation.	- **Popular segment witnessed a decline in revenue during the year led by strategic defocus by the co.**
Raw Materials	- **ENA prices continued to rise due to the implementation of Ethanol Blending Policy.** - Drought during the year also caused supply constraints.	- ENA prices saw rise but co was able to mitigate the impact due to inventory management. - Co saved Rs 2bn in RM costs during the year vs Rs 1.4bn last year.	- Raw material prices remained benign during the year. - **Co saved Rs 3bn in RM costs during the year vs Rs 2bn in the previous year.**	- Glass inflation was higher than the previous year. - **Increased demand due to Ethanol Blending Policy led to sharp inflation in ENA as well.**	- Commodity prices reached new highs in 1H. - **ENA prices surged by 30% in FY20 due to the Ethanol Blending Policy and lower supply.**
Innovative / Successful Launches					

Radico Khaitan

Key takes

- Radico's growth is being driven by strong market share gains in UP, the country's fastest-growing liquor market.
- The company has also expanded its rural distribution and expects growth from rural to be ahead of urban.
- Radico has expanded its distribution significantly from 45,000 outlets in FY16 to 75,000 outlets in FY20.
- The company has 4 millionaire brands in its P&A portfolio and expects 2 more to become millionaire brands in FY21. 8PM brand sales have crossed 10mn cases.
- Expansion in flavoured vodka and RTD format for MM has been a key driver of growth and the new super-premium launches by Gin, Brandy and Whisky.

Annual Report Takeaways

Particulars	FY16	FY17	FY18	FY19	FY20
Company Strategy / Industry	- **Despite the ban on liquor in Kerala and Bihar, co does not expect the trend to continue in other states due to the high contribution to state revenue from liquor.** - Co is making investments in building its brand in India as well as abroad. - Co currently has a presence in 50 countries. - Total employees- 1,115	- Co is focused on expanding its portfolio into newer categories to drive premiumisation. - Co is also exploring cost optimisation avenues through better procurement strategy and efficiency in the supply chain. - **Co has invested in building its brand outside India and is developing International Partnerships to drive exports of premium products.** - Co expects to be debt-free by the end of FY19. - Co currently has a presence in 70 countries. - Export revenue mix was 10%. - Total employees- 1,124	- **Co received prices increases in some key liquor consuming states.** - **New excise policy in UP is expected to be beneficial for the industry and especially for Radico.** - Co continued enhancing its digital footprint to get gain improved analytics of consumer behaviour. - Co expects digital marketing to be a key factor in future initiatives. - Co expects to be debt-free by the end of FY19. - Co currently has a presence in 70 countries. - Export revenue mix was 6%. - Total employees- 1,141	- **Co is focused on innovative launches across brand categories.** - Co is developing its exports and international partnerships to expand its presence in other countries. - **Co received price increases in several key states.** - Co expects rural growth to be faster than urban due to improving penetration and incomes. - Co is investing in technology to improve efficiency in business operations. - Co currently has a presence in 85 countries. - Export revenue mix was 5%. - Total employees- 1,171	- Co is improving its digital infrastructure to gain better insights into consumer behaviour. - Co is focused on ensuring cost optimization. It is reviewing all its costs to identify inefficiencies. - **Co is restructuring it's A&P strategy and expects the share of digital to increase going forward.** - **Rural consumption is expected to grow faster than the urban.** - Co currently has a presence in 85 countries. - Export revenue mix was 5%. - Total employees- 1,145
Demand	- Demand environment remained volatile, and volume growth was muted. - **IMFL industry volumes saw a decline.**	- **Demand was impacted due to demonetization and highway liquor ban.**	- 1H saw weak demand due to demonetization. - **Industry demand improved significantly after a weak 2 years.** - Impact of national highway ban normalised and demand was strong.	- **Demand was strong, and the liquor industry returned to growth after a period of stagnation.**	- **Demand has remained stressed due to COVID-19 as lockdown remained in effect.** - Near term demand will remain weak as discretionary spends continue to be low.

Particulars	FY16	FY17	FY18	FY19	FY20
Distribution	- Co continued to develop its ability to meet demand and improve its supply chain adequately. - Co has a presence in 45,000 retail and 5,000 on-premise outlets.	- Co is investing in digital capabilities for better demand forecast to optimize production schedules. - Co has a presence in 45,000 retail and 5,000 on-premise outlets.	- **West Bengal changed its route to market. Government-owned distributors are preferred for organized players due to limited credit risk.** - Co started initiatives to expand its distribution and improve reach. - Co has a presence in 75,000 retail and 8,000 on-premise outlets.	- **Stability in distribution channels drove industry volumes.** - Co has a presence in 75,000 retail and 8,000 on-premise outlets.	- **Home delivery and opening of the online channel are a structural positive for the industry and help growth, especially among women drinkers.** - Co has a presence in 75,000 retail and 8,000 on-premise outlets.
P&A	- P&A registered volume growth despite a decline in IMFL industry volume. - **Co launched Rampur Indian Single Malt.** - Magic Moments continued to gain market share. - Flavoured vodka grew 12.1% CAGR over the last 5 years. - **Co launched MM ELECTRA to capture the ready to drink segment.**	- Growth in revenue was driven by P&A. - Co continued to scale Rampur Indian Single Malt. - Co also launched Regal Talons Semi Premium whiskies to address the gap in its whisky portfolio. - Magic Moments continued to gain share. - **Co also scaled MM ELECTRA and introduced new flavours.**	- Co continued to launch variants in select categories and expanding its premium portfolio. - IMFL revenue mix stood at 75.6%. - Rampur single malt has been well-received globally. - Magic Moments and Morpheus continued to be market leaders. - Flavoured vodka grew 12.3% YoY. It constitutes 1/3 of the vodka industry. - **Co scaled Pluton Bay and 1965 to capture the growth trend in premium Rum.** **- Co also entered premium Gin with Jaisalmer.**	- Co continued to witness premiumisation led by 8PM and Magic Moments. - IMFL revenue mix stood at 79.6%. - New launches continued to perform well, and 8PM premium exceeded expectations. - **MM continued to maintain market leadership and volumes crossed 4mn.** - Co continued to scale its premium offerings in Gin and Brandy. - Flavoured vodka grew 9.1% YoY. It constitutes 1/3 of the vodka industry.	- P&A volume growth was ahead of overall IMFL growth. Co witnessed strong growth across its portfolio. - IMFL revenue mix stood at 81.5%. - **8PM family volumes crossed 10mn.** - 1965 continued to witness strong traction. - Flavoured vodka continued grew 6.8% YoY. It constitutes 1/3 of the vodka industry. - **Co has 4 millionaire brands, and 2 more are expected to join the list in FY21.** - Co is focused on driving premiumisation through new launches.
Regular & Others	- **Slowdown in demand has hit Regular segment the worst.**	- Regular volumes were worst impacted due to demonetization.	- **Due to price increases, co also focused on the growth of regular brands.**	- Co has launched initiatives like the reuse of bottles in regular to optimize costs.	- **Growth in non-IMFL was weaker than IMFL.** - Co continued to be among market leaders in CSD.
Raw Materials	- ENA prices did not decline despite a sharp dip in crude prices. - **Govt support for the increased blending of ENA into petrol led to increased demand.** - However, ENA and glass prices remained stable during the year. Co does not expect volatility in prices in the near term.	- ENA prices rose 6.9% during the year. - **However, due to a favourable monsoon, ENA prices are expected to be benign in the near term.** - Margin profile was impacted as the co did not receive a price hike in any major states.	- RM prices remained benign during the year. - **Due to a strong sugar crop, molasses prices have declined significantly, leading to softening ENA prices in FY19.**	- **Raw material pricing pressure increased in 2H.** - ENA prices surged 15% while glass prices were up 20%. However, improving realisation in IMFL restricted gross margin impact. - **Change in govt policy to promote ethanol blending led to inflation.**	- **ENA saw high inflation till December due to govt's focus on ethanol blending to reduce oil import dependence.** - However, increased IMFL realisation helped offset the impact. - Radico's distillation capacity protects the co from volatility as it can stock up when prices are lower.
Innovative / Successful Launches					

Thematic reports by HSIE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Autos: Where are we on "S" curve?


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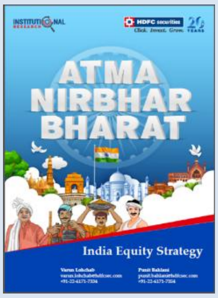
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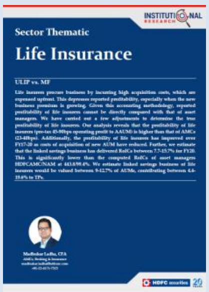
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Infrastructure: On the road to rerating


Cement: Spotting the sweet spot


Pharma: Cardiac: the heartbeat of domestic market


Life Insurance: Comparative annual report analysis


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India Equity Strategy: Quarterly flipbook


Autos: Divergent trends in PVs and 2Ws


India Internet: the stage is set

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ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	>10% Downside return potential

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