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GROUND VIEW

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FOR EDITORIAL QUERIES
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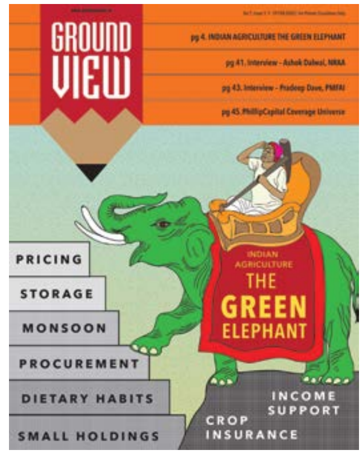

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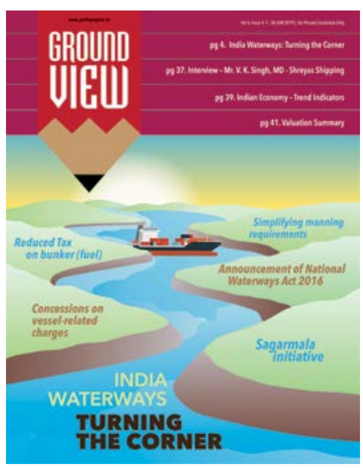

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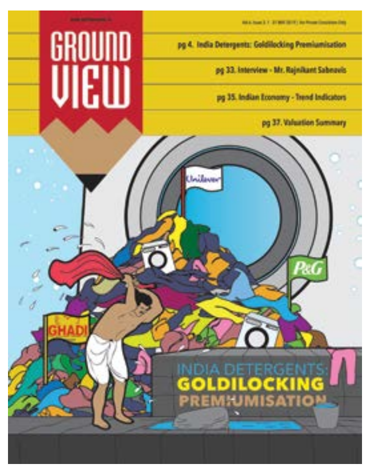

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Letter from the MD

At the onset, I want to express my sincere gratitude to all frontline COVID-19 warriors who continue to manage and fight this crisis. Additionally, I hope you and your loved ones are staying safe and doing well. While we all have learnt to deal with much more prolonged uncertainty and anxiety than many of us have ever experience before, we also got to spend quite a bit of quality time with our loved ones, which would otherwise have been difficult. The pandemic has fundamentally changed how we live, both personally and professionally. We have adapted faster-than-anticipated to the virtual world of working, but as the saying goes, the show must go on.

The pandemic has had an economic fallout across sectors. However, given its essential nature, the consumer staples sector has been the least impacted. In general, FMCG companies have undergone a baptism by fire of sorts, and have taken this crisis in their stride. It has encouraged them to think out of the box – such as via implementing new channels of distribution and reducing timelines for new product launches through innovative solutions. Within FMCG, the pandemic has brought the personal health and hygiene segment into very sharp focus. It seems logical to assume that the 'toilet soaps' business would see a huge surge as a consequence of the pandemic, as an increasing number of people embrace better sanitation and cleanliness practices, especially at a personal level. As such, in this issue, we have trained the spotlight on the personal wash segment to see what is happening there. Borrowing Sanjiv Mehta (MD of HUL)'s words – "A soap is the most humble weapon against the virus."

To really soak up the personal wash segment, our analysts Vishal Gutka and Preeyam Tolia surveyed umpteen urban and rural households, talked to soap manufacturers, distributors, dermatologists, marketing and sales managers, chemists, advertising agencies, and FMCG veterans, even when there was a complete lockdown in the country. Once the government started unlocking the economy, our analysts tried to understand in detail how Indians have adapted to new hygiene practices and the implications of these on the personal wash industry. They also tried to unearth why premiumization in soaps has lagged despite being a mature category. Another important area that they covered was the potential for hand-washes and hand sanitizers, now that COVID-19 has provided the necessary tailwinds that even years of advertising could not swing in their favour.

In addition to the riveting story on soaps, Vishal and Preeyam interviewed Mr. Vimal Solanki, Head-Emerging Business of Hindustan Foods, one of India's largest FMCG contract manufacturers, to understand how this space is evolving in India and to see if there is potential for a massive scale-up.

Cheers and Best Wishes, **Vineet Bhatnagar**

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BY VISHAL GUTKA & PREEYAM TOLIA

THE GREAT INDIAN SOAP OPERA

So far in the fight against COVID-19, mankind is playing defensive by maintaining social distancing norms, wearing masks, and adopting best-in-class personal hygiene practices. Since an offensive in the form of vaccines seems like a possible but distant event, better hygiene is likely to be a go-to strategy for now. In this light, the GV team to conduct ground-level checks to understand how Indians have adjusted to this new way of life in terms of adopting better sanitary practices. Historically, India has lagged the world in adopting best hygiene practices, which in turn slowed the growth of its personal wash industry. Could the Covid-19 pandemic be the architect of a sustained change in consumer habits in India and be the required catalyst for growth acceleration in the personal-wash segment?

To provide answers, analysts Vishal Gutka and Preeyam Tolia have dived into the sudsy world of soaps and interacted with a wide variety of stakeholders in the personal wash industry – from customers, soap manufacturers, distributors and dermatologist to marketing executives. The duo got to the bottom of a variety of trends – such as why premiumisation from toilet soap to beauty bars is slower than anticipated the real value propositions of premium soaps and where these were failing, the impact of bundle packs, the effect of modern trade, limited availability of water, regional trends and many more. The analysts also looked at why liquid soaps and body washes haven't taken off in India despite being a prominent form of skin cleansing in the developed world.

This issue of Ground View enters the technical aspects of soaps manufacturing, the difference between toilet and beauty soaps, what role TFM content plays, and whether liquid soaps are actually better than the humble soap bar. It also touches on why HUL has lost meaningful market share over the past two decades despite having the best resources at its disposal to combat any competitive challenge. It looks at what incumbent challenger brands (Godrej, Santoor, and Dettol) are up to, and what they did differently that allowed them to grab significant share in this highly competitive industry, despite their late entry.

This edition also looks at how new players ITC, Nivea, Himalaya and Patanjali have been doing and how they were able to carve out a niche for themselves over the past decade based on their differentiated proposition.

The Covid-19 pandemic has led to the resurgence of the personal wash industry and provided required tailwinds for faster adoption of premium categories, handwashes, and sanitizers – which were seeing slower growth in the past despite years of advertisement campaigns

All in all, it seems like the segment is a wonderland for FMCG companies that offer the right value proposition, understand consumer trends and preferences, innovate quickly in terms of formulation and formats, develop products that require lesser water, and strengthen their moat around distribution networks, allowing them to deepen their reach.

A fiercely competitive landscape

The deceptively simple looking industry is layered, complicated, and very price sensitive

Structure of India's personal wash industry

India's personal wash industry, which stands at Rs 200-220bn, can be broadly classified into four segments: bar soaps (88%), body/liquid washes (5%), hand washes (5%) and hand sanitizers (3%). Among these, bar soaps is the oldest category, and continues to command a lion's share of the personal wash industry. The other three are relatively new kids on the block. Of these, sanitizers and handwashes, although new, are growing fast, post covid.

Bar soaps command a lion's share of the personal wash market

Soap bars is a highly penetrated category in India, with the sales split slightly skewed towards urban areas at 60%. Premium soap bars (skin protection), liquid bodywash, handwash, and sanitisers remain more urban-centric categories. In rural areas, premium soap bars are sold in low unit packs of Rs 10, mainly purchased during special occasions such as marriages and festivals.

The importance of personal hygiene among people received a shot in the arm via the Swachh Bharat

A brief history of soaps in India

In the olden days, before the advent of modern soaps, natural ingredients used to serve the purpose of cleansing. Evidence from our age-old literature shows that women used natural products such as Multani mitti (fuller's earth), gram-flour, curd, milk, buttermilk, honey, rose water, fruit juices and pulps, floral ittars (oil-based perfumes) and essential oils to maintain hygiene and keep their skin healthy.

In India, the first modern soap was introduced by the company Lever Brothers when it began importing soaps into India, while the first soap factory in the country was set up by North West Soap Company in Meerut, Uttar Pradesh, in 1897. It manufactured cold-process soaps. During World War 1 (1914-1918), the soap industry in India went through difficult times. Then in 1918, Mr Jamsetji Tata set up India's first indigenous soap manufacturing unit when he purchased OK Coconut Oil Mills. OK M ills not only crushed coconuts for manufacturing coconut oil, but also manufactured cold-process laundry soap for local markets. When the oil mills were renamed Tata Oil Mills, Tata launched its first branded soap in the early 1930s (OK Soap). The soap was such a hit that it took away HUL Lifebuoy's market share in its initial days. As the industry flourished and the popularity of soaps increased with the middle-class, more and more companies started entering into the soap industry – Mysore Sandal in 1916, GCPL in 1918, and Wipro in 1985.

The bathing soaps market, highly-penetrated, sees fierce competition

Mission (SBM) campaign, which PM Modi started in 2014. As per estimates, the Indian government spent nearly Rs 40bn under SBM towards education and communication to promote personal hygiene, but the real boost in behavioural change has taken place after the Covid-19 outbreak. Nowadays people are taking extreme care to avoid getting infected by maintaining high standards of personal hygiene (washing hands, using sanitisers, having more baths than usual).

FMCG industry classification of soaps

The Bureau of Indian standards (BIS) classifies soaps into two categories:

TOILET SOAPS
Regular soaps; 85% of the market

BEAUTY SOAPS
Premium skin protection; 15% of the market

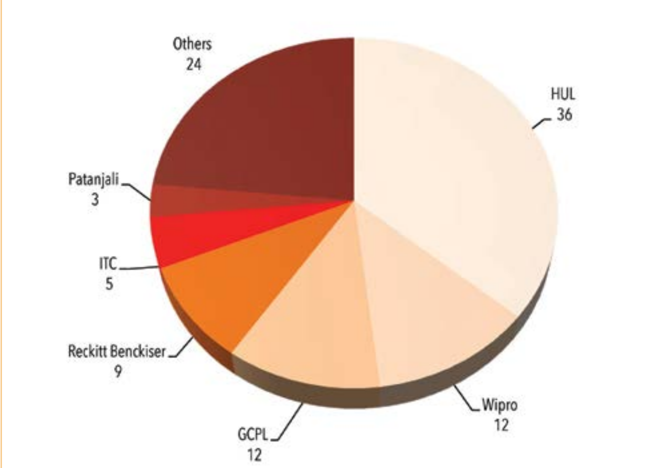
However, FMCG companies look at the industry differently. According to them, the Indian soaps market is divided into the following four categories:

1	2	3	4
Freshness and beauty soaps (c.50%) Lux, Santoor, Cinthol, Godrej No.1	**Health soaps (25%)** Dettol, Lifebuoy	**Skin protection soaps (15%)** Pears, Dove, Fiama Di Wills	**Naturals soaps (10%)** Hamam, Margo, Patanjali

India's soap makers

HUL is the biggest company in the Indian soaps industry with a commanding market share of c.36%. Its key brands Lifebuoy, Lux, Dove and Pears command a major share, but in recent times, due to the trend of moving towards natural products (naturals) and increased aggression from other large/regional incumbents, HUL has taken some hits. Wipro (Santoor) and Patanjali are the biggest beneficiaries of the naturals trend in the soap industry while GCPL (Godrej No.1) gained traction because of the regionalisation strategy.

Market share – by companies; HUL has the largest share at 36%



Source: Phillip Capital estimates

GCPL entered the soap business in 1918, with the launch of India's first toilet soap (Chavi bar soap) from vegetable oils. Until then, soap was made from imported animal fat. Later in 1919, it launched Godrej No. 2 and in 1922 Godrej No. 1. Ardeshir Godrej, the promoter, explained the reason for launching No. 2 first: "If people find No. 2 so good, they will believe No.1 to be even better!". GCPL launched the original Cinthol in 1952, called 'Cinthol Deodorant and Complexion Soap' (red). Much later

Naturals and ayurvedic has dominated the narrative for the last few years

in 1999, Godrej launched its Fair Glow soap.

Wipro launched Santoor in 1986. Since then, it has consistently focused on the proposition of beauty and younger looking skin; this, along with regional focus, has led to significant market-share gains for the company.

Leading soap brands

While HUL's Lifebuoy was the highest selling soap brand, it has been losing share for the last four years or so. Recently, Wipro's Santoor overtook Lifebuoy's market share. In 2019, Santoor had overtaken Lux's market share to become #2. Other top-selling soap brands include Godrej No. 1, Dettol, and Cinthol.

Vineet Agrawal, CEO of Wipro Consumer Care, talked about Santoor to the media – "It was launched in Delhi, possibly the worst time to launch, says Agrawal, since usage drops during winter. The most preferred time to launch a bathing soap is summer since its freshness can easily be positioned against dirt and sweat. Markets in North India are value driven. That meant Lifebuoy, Breeze and Nirma worked well. Down South, benefit-driven soaps work well. The North Indian consumer tends to go for value-for-money brands such as Godrej No 1, Lifebuoy, Breeze or Nirma. This could be related to the low literacy rate in women and the income profile of households."

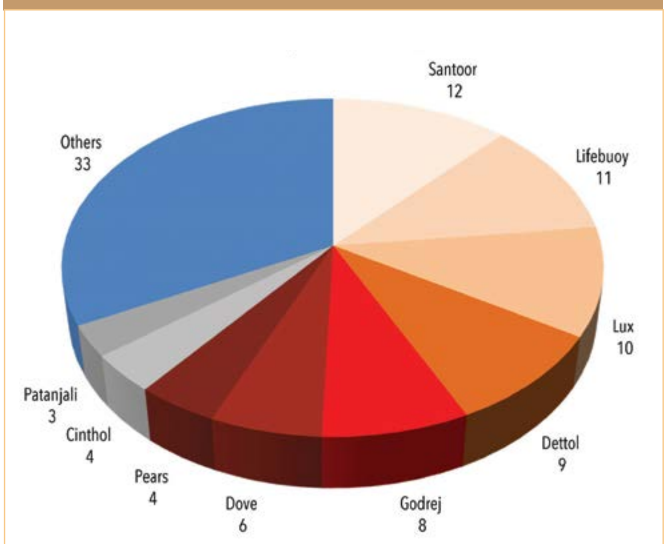
Harikumar Jha, Managing Director, KSDL (producer of Mysore Sandal soaps) said, "Our research revealed that some regions had cultural significance attached to fragrances and in other cases, the perfumes were popular in these regions. We shortlisted five fragrances from five regions of the country to launch our popular soaps". For instance, their market research revealed that jasmine perfume was popular in south India, especially in Kerala and Tamil Nadu. In western India it's rose, while the north Indian market prefers lime and fruity flora. Orange was the popular choice in Maharashtra and lavender in Orissa and Bengal.

Region-wise customer choices

Region	Comment
North	Value driven
South	Benefit driven

Region	Popular Variant
South	Jasmine (Kerala & TN)
West	Rose, orange (Maharashtra)
North	Lime and fruity
East	Lavender (Orissa and WB)

Market share by brands - CY19 (%)



PhillipCapital estimates

DEEP-ROOTED TRADITIONS

Regional preferences and distribution strength dictate market share

Soap manufacturing is all about TFM

The bar-soap market, which is around 90% of the overall personal wash market, can be split into toilet and beauty soaps. The primary quality of a soap depends on its Total Fatty Matter (TFM), which lends the 'soapy' feel. TFM and insoluble matter largely distinguish toilet soaps from beauty soaps; in short, formulation and function differentiate soaps from one another. Toilet soaps contain higher amount of fatty matter (vegetable fats) vs. beauty soaps, which helps them to provide better cleansing properties, while beauty soaps contain more additives (milk, glycerine, etc.) which helps to protect skin from dryness and dullness, especially in cold climates. BIS has standardised TFM, and categorised toilet soaps into Grade 1 (TFM > 76%), Grade 2 (TFM 70-76%), and Grade 3 (60-70%). Higher the TFM content in the soap, better is the skin-cleansing property. Lower TFM toilet soaps tend to have higher fillers such as talcum, chalk, and borax.

TFM and insoluble matter largely distinguish toilet soaps from beauty soaps; in short, formulation and function differentiate

TFM and skin

Toilet soaps: The amount of TFM in the soap makes up its cleansing quality. Higher the TFM content in the toilet soap, better is the quality of soap leaving skin deeply-cleansed, by removing dirt, germs and bacteria. Since higher grade soaps have less fillers, their cleansing function is better. However, toilet soaps with high TFM can sometimes dry up skin, if their pH levels are too high. They generally last longer than beauty soaps. LUX, Lifebuoy, Godrej No.1, Santoor, etc., are examples of toilet soaps.

Beauty soaps: These are 'special' soaps that contain higher additives such as glycerine or milk extracts. They have lesser TFM at maybe 40-50%, but usually contain acceptable surface active agents for bathing, perfume, and other ingredients such as super-fatting agents, processing aids, colouring matter, permitted antioxidants, preservatives, permissible germicides, and additional substances that are declared on the label. Dove, Pears, Fiama Di Wills, are examples of beauty soaps.

The toilet soap TFM paradox

Indian soaps companies never market soaps based on Bureau of Indian Standards grades. Rather, they deploy different marketing plans to drive growth. As a result, highly marketed but lower grade soaps such as Dettol (Grade 3 – recently changed to Grade 1) and Santoor (Grade 2) are perceived by consumers to be of better quality (in terms of cleansing) vs. soaps that fall into Grade 1 (such as Godrej No.1, Cinthol). When it comes to selling soaps, high-decibel media campaigns (run over years) to back a particular differentiated consumer proposition determine soap sales, not the soap grade.

Mandatory requirement for toilet soaps as per BIS

Grades that many of you did not know

As per the national standards requirement, toilet soaps are classified into the following three categories.

Grade 1

This a high grade, thoroughly saponified, milled soap or homogenized soap or both, white or coloured, perfumed and compressed in the form of firm smooth cakes, and shall possess good cleaning and lathering properties.

Mandatory TFM requirement: 76 per cent minimum

Grade 2

This is a thoroughly saponified, plodded soap of firm and smooth texture. It shall be white or coloured, perfumed, and shall possess good cleaning and lathering properties.

Mandatory TFM requirement: 70 per cent minimum

Grade 3

This is a saponified soap of firm and smooth texture. It shall be white or coloured, usually red if cresylic acid is added and shall possess good cleaning and lathering properties.

Mandatory TFM requirement: 60 per cent minimum

Source: Consumer Voice Report

Classification of soap brands as per TFM content

	Grade 1	Grade 2	Grade 3
	TFM => 76%	TFM 70% to 76%	TFM 60% to 70%
Lifebuoy			✓
Lux		✓	
Santoor		✓	
Godrej No 1	✓		
Dettol Original*			✓
Dove			
Pears			
Cinthol	✓		
Patanjali			
Vivel Aloevera		✓	
Hamam Neem Tulsi & Aloevera			✓
Nivea Body	✓		
Fiama Di Wills			
Medimix			✓
Mysore Sandal	✓		
Liril		✓	
Margo		✓	
Moti Gulab Bath Soap	✓		
Dyna	✓		
Nirma		✓	
Nirma	✓		
Park Avenue	✓		

Note: *During a major part of Dettol brand's journey, it was a grade-3 soap, but during the pandemic, it has moved to become a grade-1 soap.

What is stopping premiumisation and increased usage?

Habits, water shortages, packaging and private labels – obstacles abound, but so do opportunities

Indian soap market growth has been slow

Historically, India's soaps market has seen only 5-6% CAGR, given that it is highly penetrated (almost 100%) across most of India. Even the previously less penetrated, income-volatile rural market is now well covered and CPG (Consumer Packaged Goods) companies have extracted maximum juice from here through their focus on low unit packs (LUPs) and by leveraging their expanding distribution networks. Incidentally, the rural market currently constitutes 35-40% of India's overall FMCG market in value terms.

With the correlation quite apparent, experts reckon that LUPs now contribute to 30-35% of the overall soaps category.

Soaps is a well-penetrated consumer category, and growth for any well penetrated consumer category is possible via only two means:

1. Increased usage or consumption – which is difficult in the home and personal category, unlike foods, which is relatively easier to crack.

2. Premiumization.

Need-based usage (weather, medicated) is prevalent

Indian consumers do not see much value for skin-protection soaps (currently at 15% of the overall soaps market) in the premium soaps segment, mainly because they don't feel the need to use these once the winter season is over. Similarly, those with severe skin problems generally turn towards medicated and germ-protection soaps since they prove highly effective. Indian consumers have a negative perception about products that need higher water consumption and at the same time are expensive (such as body washes that they believe don't wash off properly).

When the winters pass, customers begin using 'normal' soaps again, because the combination of hot and humid weather and glycerine and moisturiser in special soaps turns skin oily and sweaty

Seasonal changes cause volatility in adopting premium products

Consumer surveys suggest that preference for skin protection products such as glycerine-based and moisturising soaps (Pears, Dove) increase during winters, which tend to last for about four months in India. During this season, people want the additional benefits that these products provide (moisturizing and softness) to alleviate skin dryness and dullness. However, when the winters pass, customers begin using 'normal' soaps again, because the combination of hot and humid weather and glycerine and moisturiser in special soaps turns skin oily and sweaty for some people. "Despite having oily skin, during winter, I generally switch to Dove or Pears, as it keeps my skin soft, but in the summers, due to the hot and humid climate, I use a different soap. It gets very sweaty if I use Dove or Pears," said Pooja Shetty, a resident from Chennai.

For example, GCPL's monthly revenue run rate takes a backseat in winter because it does not have a strong 'winter soap'. In this season, some customers shift from the Godrej No.1 and Cinthol soap brands to begin using skin-protection soaps. As a result, the second half of the financial year (October-March) contributes to a lower 40-45% of GCPL's soaps sales. It has attempted to foray into glycerine-based soaps with its Godrej

HUL's loss of market share in soaps

As per research agency, in just five years, HUL lost substantial market share in soaps; its share came down to 36% in 2019 vs. c.41% in 2015. This happened because of micro-marketing and distribution expansion initiatives that its challengers and other players took up, increased consumer preference for natural products (where HUL does not have a very strong proposition), and emergence of new competition, such as Nivea, in the premium segment. Besides, HUL was not able to grab meaningful market share despite J&J vacating the space in the niche but fast-growing baby soap segment (where Himalaya did very well). However, HUL parent company Unilever's message to investors continues to remain hopeful. Its chief financial officer Graeme Pitkethly told shareholders – "We have seen declining sales and share losses in 2019. We have made specific interventions on price and product quality and we are becoming sharper on our brand messaging and, believe me, this will make all the difference."

The 2006-2010 fiasco

During 2006-2010, HUL faced one of the worst times in its soap business. When palm oil price trebled between June 2006 and 2008, it vacated its low-unit packs (LUPs, Rs 5, 10) and took up price increases in the same ratio as raw-material inflation. However, competitors reacted smartly – they took price increases slowly, cut down A&P spends dramatically, and continued with their penetration-led strategy for LUPs.

Falling palm oil price also played havoc

Given spiralling palm oil price, HUL's management decided to go long on it, and stocked it for several months. However, due to a global meltdown, between June 2008 and December 2009, palm oil prices crashed from to US$ 500 per tonne from US$ 1240 levels. It was saddled with high-cost inventory. In this scenario, competitors kept on reducing prices, while HUL was unable to do so.

No.1 Glycerine & Honey variant in FY16, but is yet to find any meaningful success, given the domination of HUL in this segment with the Pears brand. Wipro Consumer Care (Santoor) is relatively less hit during winters as most of its revenue (>70%) comes from west and south India, where winters aren't as severe as they are in north and east India.

Consumer surveys suggest that Dove is relatively less seasonal than Pears (which has very good co-relation with winter) as most Dove customers in urban areas come from the higher income groups, for whom skin protection significantly outweighs longevity and the value-proposition criteria of toilet soaps. Logically, these customers should have gravitated from Dove bar soaps to liquid soaps (Dove's body washes), given the latter's ability to maintain skin softness as well as fight germs, but the problem is with the packaging of Dove's body washes (non-transparent bottles). ITC and Nivea have more snazzy collections and better range, which customers prefer as bathing with body washes is considered to be more of an 'indulgence'.

Customers bathe less frequently in the winters

Premium soaps are popular in north and east India (40-45% of the total soaps market) which typically have colder weather than west and south. However, very cold climate for a meaningful part of the year means lower bathing. Customers prefer not to bathe or bathe less frequently in the winters, which, incidentally, is the peak season for skin-protection soap sales. This leads to lower volume off-take and consumption. There is also an increasing tribe of people shunning all chemicals-based products; they prefer bathing with natural ingredients such as chickpea flour combined with cream and honey.

Medicated soaps eat into premium products' share in off seasons

While weather conditions are an obstacle to sustained premiumisation growth, others include pollution and hard water, which leads to many skin problems such as dryness and itching, for which customers turn towards alternate cleansing products, including medicated and natural soaps, which they believe can cure problems sustainably. Medicated soaps, prescribed by dermatologists, are generally used for curing various skin problems such as allergies, acne, and fungal infections. Due to their antibacterial properties, these soaps penetrate deep into the skin's pores and create a layer that does not allow bacteria to deposit on the skin. Usually such soaps are very popular in summers when India's overall climate tends to be hot and humid, leading to

Arguments against using soap

Soap disturbs your skin's natural pH: One of the main reasons why soap is a skincare enemy is because it wreaks havoc on the skin's pH (Power of Hydrogen). pH is a figure expressing the acidity or alkalinity of anything on a logarithmic scale on which 7 is neutral, lower values are more acid, and higher values more alkaline. Healthy skin has a pH of 5.5. Products with an unbalanced pH level (typically anything above 7 pH) damages the protective layer on your skin called the "acid mantle". A damaged acid mantle makes your skin prone to inflammation such as eczema flare-ups and increased acne breakouts. Using products with steep pH levels can also cause premature aging.

Most cleansers-containing soaps have a pH level of 9 or 10 which is very very high. It's better to opt for soap-free products or cleansers, which are pH-balanced, and help restore the skin's protective barrier.

Soaps make winter itch worse: There's nothing more dreaded than the winter itch, and using soap could be making it even more unbearable. Harsh winter conditions draw moisture out of skin, causing dryness and itchiness. Soap cleansers makes skin even drier and itchier as they strip skin of its natural oils and lipids that keep it moisturized and healthy. Even people with oily and acne-prone skin are advised to stay away from soap cleansers because soap washes away oils that help fight bacteria, resulting in increased acne breakouts.

sweating – the main cause of many skin allergies.

Price is usually not an issue with medicated soaps

Customers who have severe skin issues switch to medicated soaps without too much thought to price, as they are seeking relief from persistent conditions; such customers tend to usually be former premium-skin-protection soaps users. History shows that 'problem-solution' brands can command a hefty pricing premium – for e.g., Indulekha anti-hair fall oil is priced at Rs 3,500-4000 per litre vs. ordinary coconut hair oil at Rs 350-400 per litre.

Medicated soaps have anti-bacterial properties with ingredients such as triclosansalicylic acid, benzoyl peroxide, and sodium sulfacetamide, which either aren't present or are in very low quantities in regular soaps. Additionally, pH (Power of Hydrogen) levels in medicated soaps are the same as human skin, which reduces the chances of allergies and other skin infections. Normal soaps are more alkaline at 9-10 pH. Soaps with high pH (healthy skin has PH of 5.5) cause skin dehydration, irritability, acne, and alter the bacterial flora. A good example of specialized soaps (ingredients such as lactic acid) with the 'right' pH balance are feminine hygiene washes such as V-Wash. "During summer, due to heat, there is a problem of skin tanning, and sweat getting deposited on skin. If this is not removed properly, it will lead to skin infections," says Dr Priyanka Sharma, a renowned dermatologist.

Natural soaps, which contain neem extracts, could be considered anti-bacterial due to its medicinal properties. Dr Kumaresan N, a Madurai-based dermatologist a, believes that Margo, Medimix and Hamam can be used to alleviate symptoms of fungal infections due to their higher neem content. In India, traditionally, people take neem baths (boiling neem leaves in water) whenever they face any skin problems. These baths are popular during the summer season. Margo and Hamam have high relevance in West Bengal and Tamil Nadu, as these states have higher neem-tree density. Moreover, water quality in both these states (hard water) makes bathing using neem leaves an ideal solution

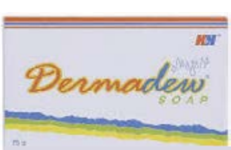
Cinthol is considered a medicinal soap in south India

The Cinthol brand has three main soap variants – Deodorant and Complexion (health segment), Lime Fresh (freshness) and Deo soap. The first variant (called Original) has ardent followers as it is perceived to be a medicinal soap.

CINTHOL FACT SHEET

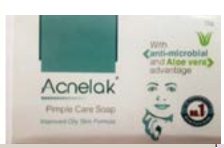
- Produced by Godrej Consumer Products. The name Godrej is derived from Guderz – an important tribe in Iran.
- Cinthol Deo & Complexion Soap has remained unchanged in design, perfume, shape and packaging since its launch in 1952. Briefly replaced in 1986, it was brought back to its original form in the face of popular demand.
- How did Cinthol get its name? It is a combination of the words synthetic and phenol.
- Celebrities who have endorsed Cinthol: Vinod Khanna, Imran Khan, Shahrukh Khan, Arvind Swami, John Abraham, Virat Kohli, Hrithik Roshan, and Akshaye Khanna.
- All variants of Cinthol soaps are Grade 1 as classified by the Bureau of Indian Standards.
- When Cinthol sponsored the Supermodel Contest in 1996 it catapulted Bipasha Basu into stardom.

Medicated soaps are priced 1-3x normal soaps



Dermadew
75g | ₹149/-

Cetaphil
75g | ₹180/-



Acnelak
75g | ₹80/-

KZ Soap
75g | ₹179/-

Aactaril
75g | ₹75/-

D Acne
75g | ₹225/-

Source: Netmeds

When a prescription product converts into OTC, sales explode

In the past, sales of pain-relief brand Volini and some brands from Dabur's ethical portfolio (Honitus, Pudin Hara, etc) have exploded once they moved from prescription to OTC. This usually happens due to an increase in the distribution network – as these brands can target kirana and general store networks against only chemist channels/ shops selling ayurvedic medicines earlier. It also happens due to a mass-level advertising opportunity opening up. Although Cinthol is a deodorant and complexion product (has never being a prescription product) it has a strong following in south India as doctors there recommend it, so a good amount of customers start using it based on their doctor's advice, giving this brand immense credibility. The Cinthol deodorant and complexion variant historically has been marketed in south India through dermatologists / general physicians, giving it an altogether differentiated 'medicated' appeal. Cinthol has dominant market share in the south – particularly Tamil Nadu and Andhra Pradesh. Apart from offering the deodorisation and freshness proposition, it also assures overall skin health by helping to remove blemishes and improving complexion.

Abstract of an article about Cinthol's medicated properties

The mantle passed on to his nephew, Dr. Burjor Godrej, who was himself a qualified mechanical engineer, with a prestigious doctorate in technical chemistry. At that time scientists were frustrated by the fact that while germ-killing ingredients were effective in antiseptics they were unsuitable for use in soaps. The discovery of Hexachlorophene changed all that. The chemical proved to be stable when used in the manufacture of soaps. This led to the birth and launch of Cinthol Deodorant & Complexion soap on Independence Day.

Source: SuperBrands India

Historically, the Cinthol Deodorant and Complexion variant has been marketed in south India through dermatologists and general physicians - giving it a 'medicated' appeal

Medicated and natural soaps dent the beauty soaps market

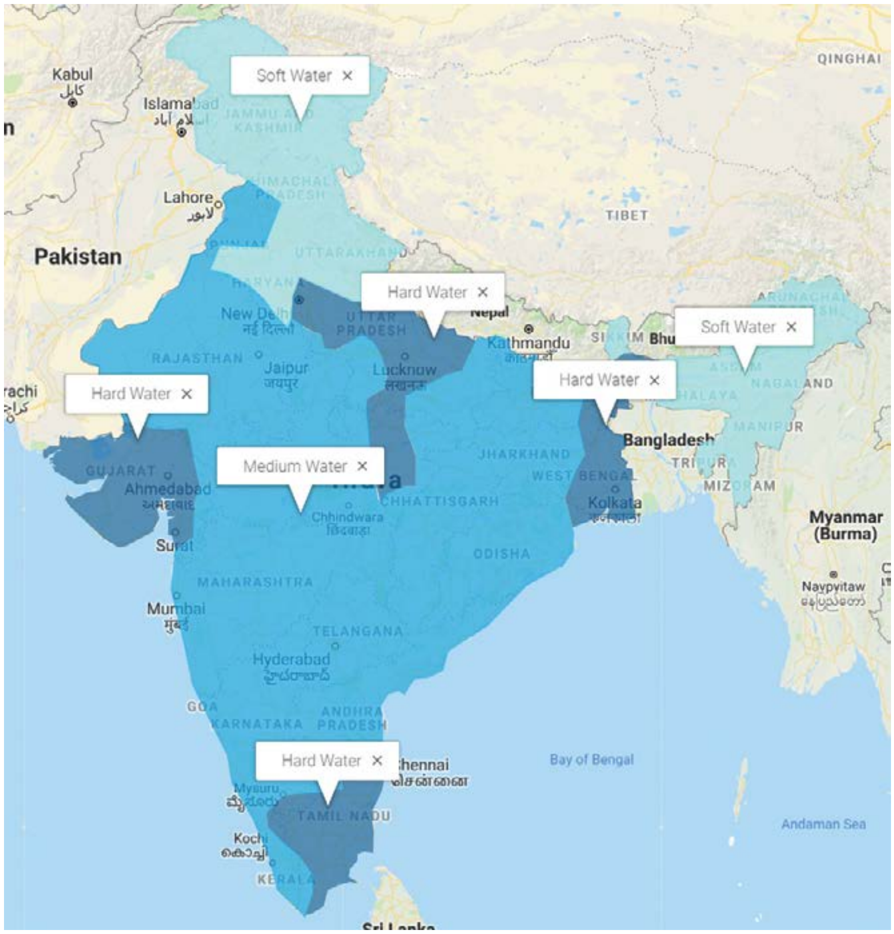
The combined contribution of medicated and naturals soaps is only 10% at an industry level, but with an increasing focus on pollution and lifestyle in recent years, there has been an increase in consumer awareness towards these soaps. This has had some negative impact on premiumisation in the beauty soap segment. Here is an example of how this works – Mahaveer Jain, a professional in Mumbai, switched to a soap that has triclosan (that retails at around Rs 110 for 75 grams vs. Dettol Original soap at about Rs 30) when his doctor recommended it. He said, "Mumbai has very hot and humid climate compared to Pune (my native place) due to which I sweat a lot here. This has led to boils on my skin and my dermatologist recommended Dermadew – a medicated soap. Since I started using it, my discomfort has reduced significantly."

Medicated soaps are not very different from normal soaps; most medicated soap (pharma) companies are using their existing channel and have restricted their focus only to the chemists and prescription route. This helps them in two ways – (1) to stay away from competition; in the GT (general trade) channel, a brand would have to compete fiercely with other brands, and (2) lets them create a niche to command higher prices. Medicated soaps are sold at 2-3x the price of normal soaps. A medical representative working with a leading pharma company said, "Due to huge competition in GT, pharma companies have created a niche by focusing only on chemist channels. Also, expansion in GT requires separate infrastructure and investment, which they do not necessarily want to spend on."

Hard-water woes

Soap lathers easily in soft water. But more than 80% of India has access to hard water, which typically has high calcium and magnesium content. This affects soaps' lathering capacity, which ultimately means that consumers use more soap to produce lather (which they believe cleans them more). Within this, the deck is stacked against premium soaps (skin-protection range) because they have lesser TFM (<40%) – so they lather less and disintegrate (melt) faster in hard water, which lowers their 'value-for-money' proposition in consumers' eyes. Consumers tend to notice that such soaps last for only half the duration of regular toilet soaps (while ignoring their other qualities such as moisturisation). With such an assessment, they could drop such soaps and switch to ones that lather more and last more.

More than 80% of India's geographical terrain has hard water



Hyper-competition in soaps actually hinders promotion of premium products

The soaps category is highly media intensive, say brand experts, and companies advertise constantly (mainly on visual mediums such as TV) to capture consumer mindshare. So fierce is the competition in the bar soap segment, that consumer companies are caught in a loop of plunking maximum resources here to protect the market share of their largely profitable soap bar segment, thus meting out step-motherly treatment to their liquid soap ranges, where, despite running

Consumer companies are caught in a loop of plunking maximum resources here to protect the market share of their largely profitable soap bar segment, thus meting out step-motherly treatment to their liquid soap ranges

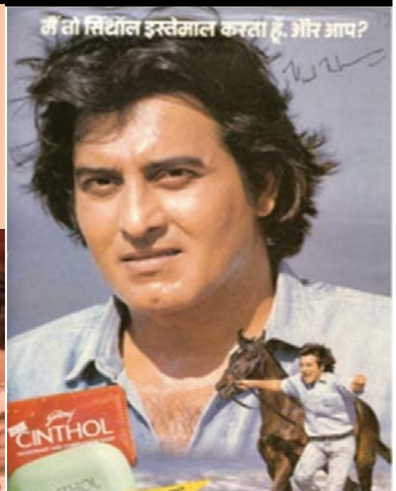
a high-decibel ad campaign, they aren't sure about whether customers would make the switch. Moreover, distribution margins (retailer + distributor) are in the range of 11-12% vs. 15% for any other FMCG category (ex-edible oils and ghee) which shows the fierce intensity, as CPG companies are more inclined to doing ATL (Above the Line) advertising, rather than spending mindless money in BTL (Below the Line) advertising in the form of higher schemes and incentives.

n

SOME ICONIC SOAP ADS AND JINGLES

SANTOOR

Nikhra nikhra roop tera
Noor jaise ho sunehra ho
Haldi aur chandan ke ghun samaye santoor
Tvach kuch aur nikhare santoor santoor.



NIRMA

Tum Husn Pari Tum Jaane-Jahaan
Tu Sabse Haseen Tum Sabse Jawaan
Soundarya Sabun Nirma, Soundarya Sabun Nirma. Famous face – Actress Sonali Bendre

LIRIL

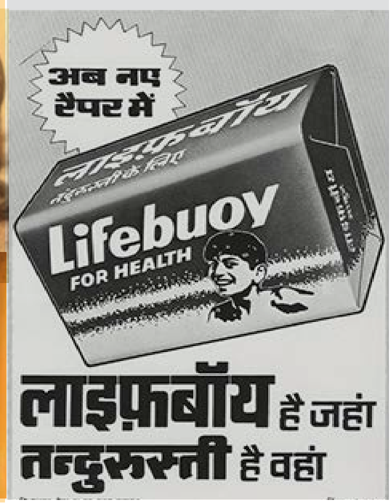
The la-la-la-la-la, lara lara la, la-la-la jingle. Karen Lunel frolicking in a waterfall caught the nation's fancy like never before; later, Preity Zinta became a well-known face of Liril

PEARS

Teri ek jhalak mil jaye to din ban jaye. The famous Pears 'Golden Glow' and 'Lucky Chehra' ads.

LIFEBUOY

Tandurusti ki raksha karta hai Lifebuoy
Lifebuoy hai jahan tandurusti hai wahan



Face-wash and hand-wash usage is hurting adoption of premium soap

Indian consumers are known to provide differential or rather preferential treatment to some body parts. In line with India's culture and dressing sense, the most visible parts remain the face and hands; the rest of the body is usually covered. Indian customers take extreme care in grooming their face and hands and are inclined to use face washes and hand washes to keep them well-groomed while using basic soaps for the rest of the body. As Dr Resham Bhojani, a Mumbai-based dermatologist said, "Using soaps and liquid body washes on the face would make skin look dull and in fact damage it over a longer period, as the skin on the face is more sensitive. It actually benefits from mild soaps or face washes."

Indian customers take extreme care in grooming their face and hands and are inclined to use face washes and hand washes to keep them well-groomed while using basic soaps for the rest of the body

Customers prefer face-washes and hand-washes over soap bars, as they perceive this format to be more hygienic (hand pumps), with lower wastage (does not dissolve), and less harsh on skin (when applied to the face) compared to soaps. Although the application area for these products is smaller than soaps, customer use these products more – 2-3 times a day. This reduces the adoption of premium soaps, as customers tend to use normal soaps for the rest of the body.

Source: DMART

Private labels to dent premium brands. For example, Mild & Clear sells for a discounted price of Rs 120 (MRP is Rs 240 for 5 x100g) while Pears sells at a discounted price of Rs 199 (MRP is Rs 259 for 4x125g)

Bundled packs and private labels – a negative for premium soap brands

Modern trade (MT) accounts for 10-15% of total FMCG sales; this number was in low-mid single digits five years ago and experts believe that the salience for soaps will be the same. MT growth has been driven by rapid expansion, proliferation into tier-2 and 3 cities, and deteriorating store economics for general trade. Both MT and FMCG players are more interested in selling bundled soap packs; these lock-in a household with average four members for at-least 2-3 months, restricting adoption of premium soaps even in the core winter season. If a family already has soaps in stock, it isn't likely to switch to premium skin-protection winter soaps, as these are expensive and aren't very useful after the season ends.

Both MT and FMCG players are more interested in selling bundled soap packs; these lock-in a household with average four members for at-least 2-3 months

Bundled packs - GCPL was a pioneer

In 2001, the Godrej No.1 brand was re-launched. To push consumption, GCPL introduced the 'Buy 3 get 1 free' scheme, a first in the industry, which has now become an industry standard. An ex-employee of GCPL said, "A household typically uses 2-3 soap brands, which increases the risk of another brand being considered. The bundle pack meant that we had a larger share of the household and reduced the risk of the consumer moving to another brand."

The looming threat of private labels

Apart from an increasing trend of bundled packs, private labels of modern trade players also pose a threat. There is a chance that value-conscious customers shift to private labels, which provide similar quality at cheaper rates than branded players.

Neville Noronha, CEO of Dmart, in an investor conference meet in 2019, highlighted the following about private labels:

- Meaty gross-margins drive the entry of private labels into particular categories: These labels/ DMart will enter only those categories where gross margins of the market leader are significantly high (+50%) and where it can provide similar quality.

- Lack of a strong vendor ecosystem hinders scalability of private labels: Quality of vendors is the biggest constraint. Dmart is careful about its reputation, and does not want to risk it by selecting weak vendors, said Noronha.

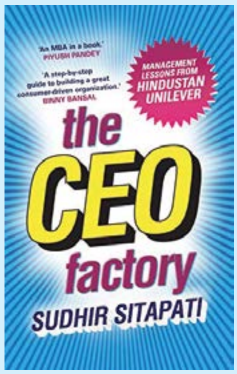
- Challenges in moving in sync with changing consumer behaviour: FMCG companies spend significant amount of resources in understanding consumer behaviour and launching innovative products that are in sync with the latest customer taste and preference. This may be a tough ask for the retail company, whose core forte is providing goods at a reasonable value.

Price points matter, even in premium products, at least for rural consumers

Historically, for premium products in general, it has been observed that consumers do not give much credence to the price, since the differentiating factor of such a product is either about exclusivity or about the atypical attributes / functionality – which may not be available in mainstream products. However, in premium soaps, price points hold a lot of weightage, as meaningful revenue comes from rural areas.

FOLLOWING IS AN EXTRACT FROM SUDHIR SITAPATI'S BOOK "THE CEO FACTORY". HE IS CURRENT ED – FOODS AND REFRESHMENTS, HINDUSTAN UNILEVER.

"On a visit to a small village in rural Bihar eight years ago, I noticed that all the three shops in the village had stocked a small Rs 20 bar of Dove soap. I asked several women in the village whether they had used Dove soap. Yes, they told me. But occasionally, to wash their faces before they went for marriages. Back in the office, I checked our household panel database and realized that 73% of Dove users were low-income consumers, but they accounted for only half the volumes of the brand. Equity of the brand and the availability of the Rs 20 pack was making them occasional triers of the brand, but the high price was keeping them from consuming more. If we dropped the price on the brand, they would buy more but the moment we raised prices again they would go back to being occasional users."



Another interesting excerpt about 'trade price points' from Sudhir Sitapati's book

"However, on Lux and Lifebuoy Rs 10 bars [the mainstay of HUL's business in North India] sales started falling and on a visit to rural UP I discovered why. For the longest time, wholesalers had purchased a dozen bars from HUL at Rs 105 and sold them by the dozen to small retailers at Rs 110, thereby making a profit of Rs 5. As small retailers would in turn sell each bar for Rs 10 [a total of Rs 120] and make a profit of Rs 10 on a dozen, when we removed the trade schemes the price to wholesalers went from Rs 105 a dozen to Rs 109 a dozen. Normally this would have prompted the wholesaler to increase his selling price from Rs 110 to Rs 112 or Rs 113 to protect his profit, but in this case, the selling price of Rs 110 a dozen to small retailers had become an established trade price point, and wholesalers were unable to move it up. Hence, their profit tanked, and so did their interest in selling HUL bars. On discovering this, we promptly restored the incentives and sales came right back. We had long known the concept of consumer price points such as Rs 5 or Rs 10, but trade price points were a new thing we discovered with this experience."

The great Indian jugaad, yes even in soaps

To sell any product in India, understanding the Indian consumers'mentality is very important. They tend to be very value-conscious and will deploy every trick in the book to maximize usage and minimise wastage of any product. In short - jugaad is everywhere. For instance, through jugaad (tricks and techniques) customers, especially in rural areas and small towns, tend to ensure that soap is not exposed to water in the soap dish and therefore lasts longer. Here are some of the jugaads:

Cut the soap, problem solved: One of the distributors in Gujarat's interior parts, Mukesh Bhai of Mehsana district, told PC analysts, "In rural Gujarat, people cut the soap into half so that it lasts longer.

They believe that buying a larger soap is cost effective, but cutting it in half helps it to last 2-3 days more."

Adding a metal bottle cap to minimise contact with water: On the outskirts of Mumbai, in Virar, lives Vijay Jain, a small tile shop owner. He told PC analysts that he uses metal caps of soda bottles for saving his soap. "We press down a metal cap (from any soft-drink bottle) on one side of our soap. Then we keep the soap metal side down in the soap dish. That way, it does not dissolve, as it does not touch water in the soap dish or any other surface."

Ayurvedic and natural seem to be the buzzwords

The move towards naturals seems to be the most enduring trend in recent times

Source: Aastha Channel

Soaps and the ayurveda 'naturals' premise

There has been an ongoing shift in the Indian consumers' preference towards naturals, across skin- and hair-care products, that accelerated after Patanjali's entry in 2015-16. Time-pressed consumers are increasingly seeking convenience in beauty and personal care routines, and are hyper-aware of the damaging effects of harsh chemicals. This has spurred demand for natural beauty and personal care products, as a safer alternative, in a big way.

After the advent of yoga guru Baba Ramdev, India saw a massive upsurge in sales of naturals and ayurvedic products

Indians have been predisposed towards herbal products, but after the advent of yoga guru Baba Ramdev, India saw a massive upsurge in sales of naturals and ayurvedic products, as Patanjali launched a range of products based on the ayurveda and swadeshi (made in India) proposition. Sunil Duggal, then CEO of Dabur India, had said to the media in 2018, "The emergence of Patanjali is a blessing in disguise for Dabur. Patanjali products are sold primarily based on people's faith in Ramdev. His marketing, and Patanjali's well-spread retail presence, has already converted a lot of non-ayurvedic product users into regular users of ayurvedic or herbal products." The Patanjali wave led to market share losses for companies that weren't focused on the ayurvedic proposition. For example, in oral care, Colgate's market share reduced to 51-52% in FY20 from 58% in FY15 while Dabur, Patanjali, Himalaya, and Vicco ended up gaining share.

HUL, a market leader in soaps, lost share in the naturals category due to its negligible presence; it has only two key brands here – Hamam and Ayush. As the consumers' preference towards naturals and ayurvedic grew, Wipro's Santoor was the only incumbent to benefit in a big way. From CY14 to CY19, Santoor's market share increased to almost 12% from 9% because of its strong association with the ayurvedic and naturals proposition.

HUL's Ayurveda and naturals tryst

HUL and Lever Ayush

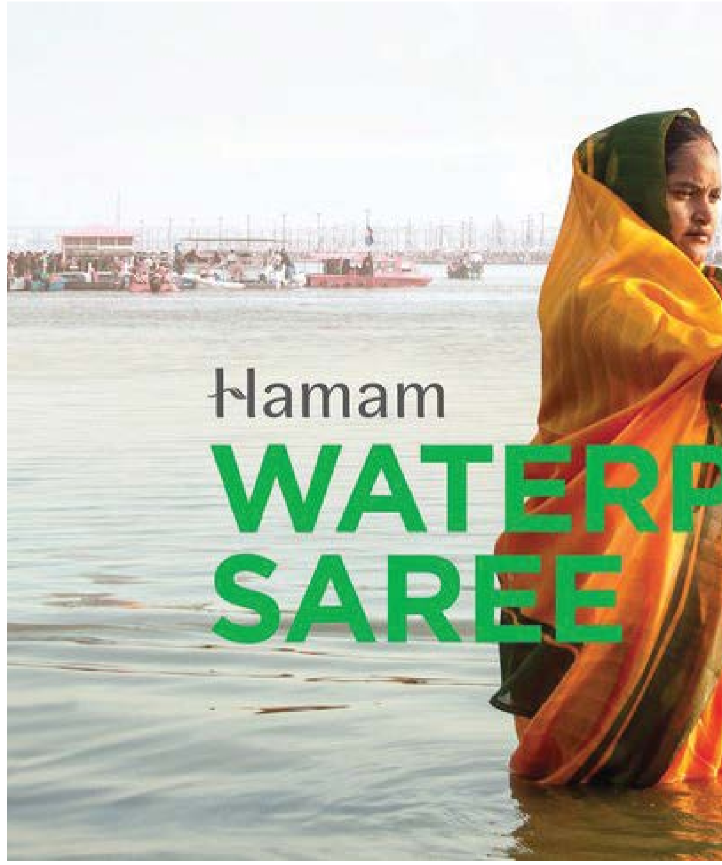
As the popularity of Patanjali went on increasing, HUL decided to revive its age-old brand "Lever Ayush" across the range of personal care products on a pan-India basis, but it is yet to see meaningful success, as customers were not able to relate to this brand despite appointing Bollywood celebrities for brand endorsements. As Alpana Parida, Managing Director of brand strategist DY Works puts it, "Multinationals have not acted swiftly enough to adapt to changing consumer preferences and have not expanded their offerings in the natural and ayurveda-based brands."

Ayush was first registered as a brand by Jayalakshmi Oil & Chemical Industries in 1987, and the trademark was sold to HUL in 2001. "Ayush is an example of a brand that we have owned for a very long time and we moved into the ayurvedic space to pick up the lifestyle choice. That's a very strong trend within beauty and wellness," said Unilever's chief financial officer, Graeme Pitkethly, in the 2019 Bernstein Conference, London.

In 2017-18, HUL relaunched Lever Ayush with a new range and better affordability metrices, and decided to restrict itself to south India, as traditionally, this has been India's largest ayurvedic/natural market. However, there are more than 1.5mn ayurvedic brands in south India (some are prominent names such as Dhathri Ayurveda, Sakunthala, Pankajakasthuri, Heena, and Siso), and hence Lever Ayush became one more additional brand – with only difference here being it being backed by a company that has the highest annual advertisement budget and strong distribution network. Since the strategy of launching Lever Ayush as a separate ayurvedic brand did not work out well and still it is work in progress, HUL has decided it wants to make its business profitable in the fiercely competitive ayurvedic market of south India, before expanding on a pan-India basis.

Source: HUL

HUL has decided it wants to make its business profitable in the fiercely competitive ayurvedic market of south India, before expanding on a pan-India basis



HUL and Hamam

Hamam's case is curious – it was an erstwhile leading product of the Tata Oil Company (TOMCO), which was later sold to HUL in 1993. It used to rule the roost on a pan-India basis, but now it is restricted to being a regional brand, focussed mainly on Tamil Nadu market and with Karnataka and Maharashtra being its other relevant markets. HUL re-launched the Hamam brand (size: Rs 3bn) in 2017 and changed its communication strategy – from product-oriented advertising to inspirational advertising, given intense competition in this segment as well (Margo and Medimix are also competing for a piece of the pie). It tried to make it a more purpose-driven brand from its earlier proposition of a family soap. The campaign targeted women and young girls. The premise was that apart from providing protection from pollution and dust, the brand addresses increasing atrocities towards women (such as eve-teasing, violence, etc) by encouraging them to develop extra confidence to take the world head-on.

"From a beauty and personal care point of view, skin cleansing was clearly an outperformer, and we had stellar performance given the heightened awareness around hand hygiene. Growth was led by our purpose-led brands such as Lifebuoy and Hamam,", said Sanjiv Mehta, CMD, HUL, said in a recent analyst conference call.

HUL crafted a great campaign for Kumbh Mela (waterproof sarees), which enhanced its brand equity

Hamam's waterproof saree campaign at the Kumbh Mela

Hamam extended its '#GoSafeOutside' campaign to the Kumbh Mela 2019.   Working with Ogilvy, the brand rolled out "waterproof sarees" that wouldn't be see through and would help women who were taking the 'holy dip' at the mela to retain their dignity. It was prompted by pictures posted of women after this dip, with their sarees clinging to their bodies. HUL's sarees had a layer of waterproofing that made the fabric aqua phobic. It was made available to devotees for Basant Panchami.

In this context Harman Dhillon then General Manager, Skin Cleansing, India, Unilever, was quoted in a media publication as saying, "Hamam feels a sense of responsibility towards making a positive difference, not just to people's skin, but also to their daily lives. Through our #GoSafeOutside positioning, we wanted to help improve the sense of safety people feel when

With the #GoSafeOutside campaign, HUL played the right cards, as most of the time, decisions to purchase soaps were made by housewives, mothers, or the women of a household. Moreover, millennials have shown more loyalty towards brands that are purpose-oriented

they are outside: by raising awareness, kick-starting conversations, and facilitating solutions. The waterproof sarees at Kumbh were not just a solution to help preserve the modesty of female pilgrims, they were also a shout-out to society to be more respectful and discrete about their view of women. If men have the right to take the Holy Dip without the worry of unsolicited attention, society needs to adjust its mindset to allow women to do the same without being self-conscious."

Aloe-lime – a hit among soaps consumers

In soaps, ingredients such as aloe vera have gained significant traction from customers. Patanjali's entry also resulted in a lot of soap companies turning to the aloe-lime variant. Lime, a citrus-based refreshing and natural cleanser, is particularly popular during summers, and aloe-vera is hailed for its natural healing properties.

Naturals trend drove Santoor's and Patanjali's market share

Brand	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19
Santoor	9.4	9.5	9.4	9.1	9.0	9.4	10.0	10.7	11.4	12.0
Lifebuoy	18.9	18.2	17.4	16.7	15.6	14.3	13.4	13.1	12.2	11.2
Lux	17.7	16.9	16.0	15.5	14.5	13.3	12.5	12.2	11.3	10.4
Dettol	7.4	7.2	7.1	7.1	7.0	7.3	7.7	8.4	9.1	9.2
Godrej	7.6	8.6	8.8	8.1	7.0	7.6	7.5	7.5	7.6	7.8
Dove	6.2	6.0	5.9	5.8	5.5	5.3	5.1	5.2	5.5	5.9
Pears	4.6	4.5	4.4	4.3	4.2	3.9	3.8	3.9	4.1	4.3
Cinthol	4.0	4.4	4.4	4.0	3.7	3.7	3.7	3.6	3.6	3.7
Patanjali	-	0.3	0.7	1.2	1.7	2.3	3.1	3.2	3.1	3.0

Source: PhillipCapital Estimates

GCPL's Godrej No.1 has been the volume driver, whereas Cinthol has been a value driver

As per industry estimates, aloe-vera and lime variants are one of the fastest growing (15%+) over the past few years and constitute 25-30% of the overall toilet soaps category. Industry sources suggest that freshness / naturals segment has been growing 1.2x / 1.8x of the overall soaps category run-rate. Wipro launched its aloe-fresh variant under its Santoor brand in 2018. Patanjali' s market share rose to c.3% in soaps in CY19 from 0.6% in CY12, based on increasing popularity of Baba Ramdev, solid increase in distribution network – targeting exclusive stores and mainstream third-party kirana stores, and an affinity towards Swadeshi (a conscious preference for Indian-made products).

GCPL's Cinthol and Godrej No.1 have had aloe-lime variants for a while. In 2018, Sunil Kataria, Business Head (India & SAARC) for GCPL told the media: "Several brands, including our Godrej No 1 and Cinthol, are actively building on these trends are using aloe vera and lime, separately and in combination, in different products." Currently, aloe-vera and lime variants constitute 30-35% of GCPL's overall soap portfolio.

Neem-based soaps are likely to make a roaring comeback

Neem-based soaps (Hamam, Margo, and Medimix, etc., who were just trudging along hitherto) are likely to receive a big shot in the arm with the increasing consumer preference for natural products over the past few years. They are likely to sprint ahead now with the COVID-19 breakout. Historically, these soaps have been used as a cure for skin infections and marketed as germ-killers or even virus-protection soaps. With increased incidence of COVID-19, neem-based soaps are likely to make a roaring comeback, as consumer adopt a prevention is better than cure approach.

Medimix and Covid 19

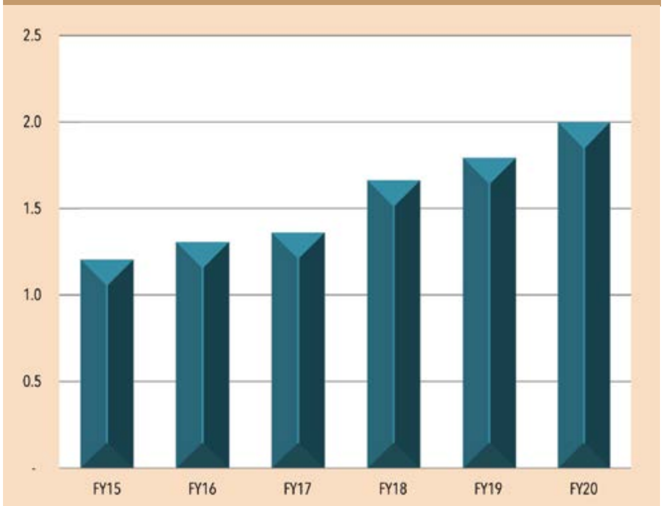
One such brand that will benefit from Covid-19 is Medimix, a handmade Ayurveda-based soap, manufactured by two different groups of the same family. In 2007, there was an amicable split within the Cholayil business family. The southern Indian market (core market for Medimix) went to the founder's son-in-law AV Anoop and was named AVA Cholayil Health Care, while the rest of India and export markets was handled by the founder's son Pradeep and was called Cholayil Pvt Ltd. A V Anoop, Managing Director, AVA Group said that demand for natural products, especially for hand wash (liquid soap) has increased by nearly 25%. "The growth came as sweet surprise for the segment, which was de-growing," he said in a media publication recently, in March 2020. On similar lines, Pradeep Cholayil, Chairman and Managing Director, Cholayil Pvt Ltd was quoted as saying, "We feel the demand of personal care will come back to normal post Covid 19. However, people will realise the significance of brands built around health and hygiene. That will help us also in gaining more volumes."

The test for consumer goods companies would be to retain customers within a neem-based segment, once the pandemic is over

Medi-mix, a combination of medicine + mix, has chosen a very unique route to develop strong brand equity for itself at a low cost. Historically, it has been a 'prescribed/ medicated soap'. Its founder had designed the soap brand for conservancy workers. At present, in a great marketing move, it has tied up with institutions (hotels, hospitals, etc) and provides co-branded low unit packs of Medimix at these places, reinforcing its 'medicinal' image.

One historic problem with neem-based soaps has been delivering bright colours or strong and pleasant fragrances that consumers have come to associate with soaps in general. Being able to deliver a great sensory experience to help users feel good while not going away from the 'wholesome' aspect of a natural soap has been a constant challenge. The test for consumer goods companies would be to retain customers within a neem-based segment, once the pandemic is over. Margo (one

Margo sales saw 11% CAGR over FY15-20



Source: Company

of the oldest soaps in India; manufactured by Jyothy Laboratories) has found a way to grow its business via launching variants (glycerine-based soaps) and expanding the distribution network beyond non-traditional markets.

In 2019, HUL extended LUX and Pears soaps into the natural segment by launching Lux botanicals and Pears naturals ranges on a pan-India basis. But consumer surveys suggest that consumers have not equated these brands with a chemical-free proposition

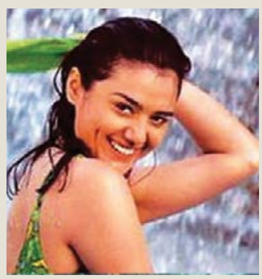
Pure freshness soaps to take a backseat for a while

The rise and fall of Liril

Liril was once a crown jewel for HUL in the 1980s, with a market share of 25% at one point, but it slowly lost its sheen. By 2005, its share had fallen to low single digits. In that same year, HUL decided to relaunch Liril as 'Liril 2000', a family freshness soap, which it hoped would arrest its falling market share. But unfortunately, this did not do much good as many brands along with GCPL's Cinthol decided to move its positioning from gender-driven freshness soaps to one with a more unisex appeal, in order to attract new and young Indians. In 2013, Sunil Kataria, then Executive Vice-President, Sales & Marketing, Godrej Consumer Products was quoted in the media as saying that there was a need to broad-base the appeal of Cinthol, rather than restrict it to male deodorisation and freshness alone. "We attempted to connect with the new, young and vibrant India. This consumer is well-heeled and well-travelled. He or she is looking for a refreshing experience, which we've attempted to provide with the new Cinthol," he said.

Many brands, along with GCPL's Cinthol, decided to move their positioning from gender-driven freshness soaps to one with a more unisex appeal, in order to attract new and young Indians

Discussion with various distributors of different soap companies suggests that the freshness soaps segment (Liril, Cinthol, Vivel) has taken a backseat for a while, as customers are increasingly resorting to health- and neem-based soaps, because they believe these help them fight and kills germs better than freshness-based soaps.



The iconic Liril ad

Think of Liril and the la-la-la jingle immediately plays in your mind and the visual of the girl frolicking under the waterfall pops up – it is inevitable! HUL's management wanted a soap brand that signified freshness, as every other competing soap brand in the market was focused on either complexion or germ protection. After several trials and errors, the marketing team came up with India's first lime soap, but the challenge was marketing the lime soap as it was alien to this country. Enter revolutionary ad-man, the late Adman Alyque Padamsee, then creative director with the ad-agency Lintas (now Lowe Lintas & Partners) came up with consumer survey that an Indian women, a typical housewife, has time for herself only during her 10-15 minutes daily bath. He had said, "She wanted to escape. And her shower in the bathroom was symbolic of this, where she suspended her struggles as a housewife for some time simply enjoyed her bath."
The marketing team eventually shot the ad in a waterfall, a metaphor for the shower in the bathroom. It became so iconic that Pambar Falls in Kodaikanal, where the first ad was shot, is also known as Liril Falls and the first 'Liril Girl' Karen Lunel remained the face of the brand from 1974 to 1985 – the longest Liril Girl. The brand was such a hit during the 1980s and 1990s that the Liril Girl became a gateway for the young women to get into Bollywood. Some prominent actresses that were Liril Girls include Deepika Padukone and Preity Zinta.

A fine balance: Raw material prices and product prices

The commodity cycle created havoc for HUL and it lost market share in toilet soaps. In 2008-09, HUL increased prices across its product portfolio due to inflationary pressures in key raw materials. In contrast, GCPL increased prices after a lag, which enabled market-share gains. Besides, HUL vacated low unit packs in the commodity upcycle – which led to massive gains for all competitor brands such as GCPL, ITC and Wipro Consumer Care.

IN THIS CONTEXT, HERE ARE SOME INTERESTING EXTRACTS FROM SUDHIR SITAPATHI'S BOOK –"THE CEO FACTORY", PUBLISHED IN 2019.

"Palm oil is the main feedstock in the manufacturing of toilet soaps. For a variety of reasons, palm oil prices are closely linked to crude oil prices. When, like crude oil, palm oil prices almost trebled between June 2006 and June 2008 HUL did two things: it took up prices at the same rate as costs and vacated the key price point packs of Rs 5 and Rs 10.

Competition on the other hand took up prices much more slowly and cut advertising and promotions in this period. As a consequence, HUL lost market share, and since volumes in soaps matter a lot for profit margins (fixed costs are high), it lost margin as well. When palm oil prices were rising dizzyingly, HUL went long on palm oil and stocked up for several months. But between June 2008 and December 2009 palm oil prices fell from $1240 per tonne to $500 per tonne. Unfortunately, HUL was saddled with expensive stocks, and while the rest of the market dropped prices, HUL had to wait to finish its stock.

When we dropped prices, we didn't pass on the entire cost benefit to the consumer, partly because we wanted structurally correct margins and partly because we were worried that the volume increase would not compensate the lower prices.

When despite dropping prices volumes didn't come, HUL got desperate and passed on the entire cost drop to the consumer. Too late. Trade was stocked with higher price stocks (the original and the part price drop) and there was tremendous resistance to the last price . 'What do we do with the higher price stock?' was the refrain among shopkeepers.

It took us a full year to get out of this mess.

There are several lessons from the pricing fiasco of soaps in 2007–10:

- When costs go up sharply, do not pass it on all at once to consumers. At some critical threshold (around a 10 per cent price hike), consumers start looking at other brands. Once they start looking around, they will find another brand that suits them better.
- Absorb the losses of a cost increase and cut non-essential costs in times of hyper-inflation.
- Never vacate price point packs, whatever the provocation, without a proper long-term plan.
- Don't overstock a commodity. In most businesses you are not likely to be an expert in predicting costs, like it happened with HUL with palm oil prices. Even if you do decide to stock up or down, do so by no more than for four weeks.
- Don't get greedy and use a period of deflation to shore up your margins. You can only improve margins when your brand equity gets stronger.
- When costs fall, drop prices in one shot, reflecting the entire cost drop. Sequential price drops lead to choked pipelines.

Godrej has a strong vanaspati business; Wipro sold its business in 2012 but still benefits from knowing how it works

Backward integration of Wipro and GCPL made them formidable competitors

Both Wipro and Godrej were in the business of selling vanaspati (ghee-like fat made from vegetable oil, mainly palm oil). Palm oil is a major raw material for manufacturing both vanaspati ghee (called Dalda in India) and soaps. Both companies have historically been procuring palm oil on a large scale.

Wipro: Its marketing team decided to focus only on south and west India due to its strong distribution network for vanaspati ghee business in these regions, which helped it to expand its soap business (Santoor) faster there. Another reason was that customers from South India were partial to the natural ingredients-led benefits that they perceived from such a soap. In FY15, Wipro commissioned two state-of-the-art plants – one for fatty acid and glycerine and the second for soap noodles (India's largest) – which led to its gross margin expanding to 45% in FY16 from 43% in FY15.

Godrej: Godrej capitalised on the success of its lock-making business by introducing a soap bar called 'Chavi Bar' in 1919 – named after the word for 'key' in Gujarati which resonated with its image as a reliable lock-maker. However, despite its clever entry into soap manufacturing, it faced stiff competition from popular and imported soaps brands. To counter this, Ardeshir Godrej stressed that the soap was 'Indian' and made using vegetable oils. He even distributed pamphlets in which he explained the process of making soap with vegetable oil, which was a marketing master stroke. Later, in 1920, the company launched Godrej No 2, and subsequently No 1 in 1922. Cinthol is prescribed by doctors in south India as a medicated soap due to its antibacterial properties. It contains G11/hexachlorophene – which helps keep germs away. Cinthol's origins are interesting. Entrepreneur Bujor Godrej, after getting his doctorate, laid emphasis on improving quality at lower costs, for which he obtained a license for the exclusive use of G-11 in India for manufacturing soap, which led to the introduction of Cinthol in 1952. A classic example of how a strong back-end reduces costs, freeing up a company to invest in building stronger brand equity.

Godrej Agrovet, Godrej's group company is one of the India's largest palm oil producers (key raw material for soap) and GCPL being in same group, might have an advantage in terms of backward integration through Godrej Agrovet, which has led to better pricing, leaving more money to invest in the brand.

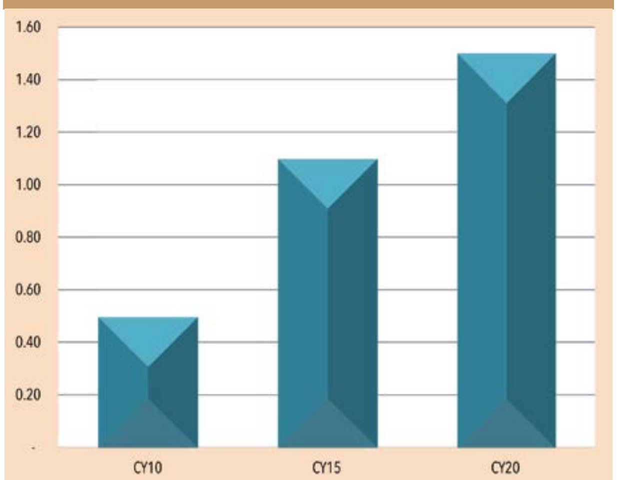
New challengers are emerging in the premium range

Nivea – a thorn for Dove

Beirsdorf AG is steadily trying to make its presence felt in premium soaps, riding on the strong equity of its mother brand – Nivea, which is known for its moisturizing lotion. Nivea soap, despite being a Grade 1 toilet soap, has been portrayed as a better product than Dove, which is a beauty soap with actually superior moisturising capability; Nivea is riding on the brand equity of its mother brand. Beierdorf AG has played its cards smartly – it has been giving 75 grams Nivea soap free with Nivea cream for the better half of the year. Consumers perceive Nivea to be a better product vs. Dove, since it feels less sticky / oily, as Nivea has higher TFM content (70-76%) vs. Dove's beauty soap (40-60%) – which helps in better skin cleansing. Beauty soaps are generally meant for better moisturizing, but this leaves more oil on the body after the bath.

Nivea has been distributing its soap only in key premium outlets, particularly the chemists' channel, thus targeting customers from the high-income group as they do not mind paying a premium for what they perceive to be a better product and therefore customer loyalty for such a product is pretty high. Retailers stock up Nivea soap along with cream/lotion in bulk quantities whenever there are trade promotion offers (Nivea soap free along with a bottle of Nivea lotion), and keep on selling Nivea soap and cream separately, thereby earning high margins on the throughput.

Nivea's market share grew c.3x over CY10-19



Source: PhillipCapital Estimates

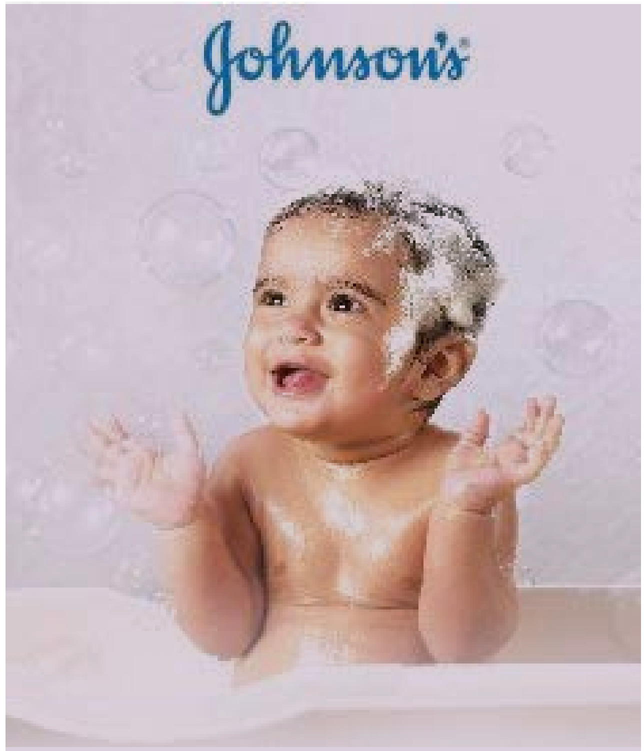
Nivea soap has been priced at significant premium (50%) to Dove soap, despite being a Grade 1 toilet soap, while Dove is a beauty soap (logically should have commanded higher premium). This enables Nivea to earn windfall gross margins. Beierdorf reinvests the high gross margin it earns into improving the growth trajectory of its Nivea soap, via higher trade promotions and discounts.

	MRP	gm	Rs/100g	Rs/kg
Dove	45	100	45	450
Nivea White	85	125	68	680
Nivea Blue	54	75	72	720

Nivea is priced much higher than Dove, despite being a Grade 1 soap

SOURCE Amazon

"Nivea Soap is seeing volume growth of 10% per annum for the last eight years vs. volume growth trajectory of 4-5% for the entire soaps industry – this is due to the company's support and the perception of being a better brand," said Ravi Chopra, a Jalgaon-based distributor of Nivea.



SOURCE : Johnson & Johnson

Are baby soaps really necessary? Absolutely!

Babies have very soft and sensitive skin compared to adults; so baby soaps tend to be milder, with moisture coating. Also, babies do not perspire much and do not accumulate as much dirt as adults do, so the cleansing agent is milder. Moreover, baby soaps carry higher nourishment vs. adult soaps, as babies' skin loses moisture quickly. These soaps have special ingredients to keep skin moisturised and hydrated for longer periods. Due to the higher amount of additives that they have, baby soaps tend to cost 1.5-2.0x than adult soaps on an average.

Baby care: J&J's loss was Himalaya's gain, not Dove's

Market breakup for baby-care segment

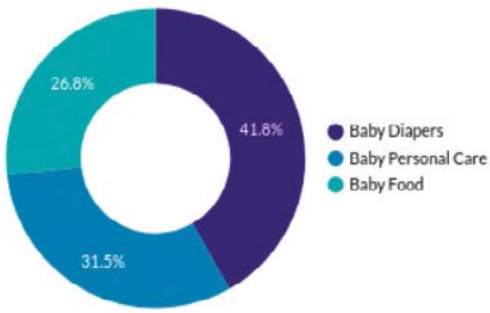


Fig 1: Revenue Share in Baby Care Categories

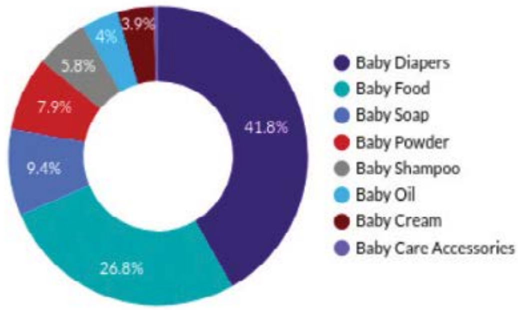


Fig 2: Revenue Share in Baby Care Sub-Categories

Source: Redskytechnologies

There is huge scope when it comes to adoption of baby care products in general, as well as through premiumization, i.e., making customers upgrade to higher-order benefits such as nature- and environment-friendly and safer products

India's baby care market, including soaps, remains highly under-penetrated and offers potential for multi-year growth due to the following factors:

- Estimated c.25mn children are born every year in India
- Increasing number of nuclear families
- People are getting married later, and tend to have only one child. As such, these new-generation parents want to give the child the best care

The Indian baby soaps market is quite niche, but it is one of the fastest growing sub-segments within the soaps industry. Leading players in baby soaps are Johnson & Johnson, HUL, Himalaya, and Seba-Med. Unlike adult soaps, competition is likely to remain limited, as safety, quality, and trust are paramount. While talking about this segment, Devendra Chawla (Ex-President, FMCG, Future Group) said to the media that, "Mothers are very sensitive about this segment and they do not change loyalty easily, unless they are assured of the quality." There is huge scope when it comes to adoption of baby care products in general, as well as through premiumization, i.e., making customers upgrade to higher-order benefits such as nature- and environment-friendly and safer products. However, this category has peculiar traits. For example, a brand needs to recruit new consumers and shoppers every couple of years because consumer journeys are short, based on specific needs, and barriers to entry are high (trust issues and loyalty towards legacy brands). It is not easy to make a parent consider your brand without very strong product and marketing mix.

	MRP	gm	₹/100g	₹/kg
Johnson Baby Soap	52	75	69	693
Baby Dove	52	75	69	693
Himalaya Gentle Baby Soap	44	75	59	587

Himalaya is relatively cheaper, despite its natural proposition

Johnson & Johnson's loss = Himalaya's gain, not Dove's

Johnson & Johnson was a trusted brand for Indian consumers for more than 70 years. However, its brand equity took a huge hit after medical regulatory authorities found asbestos in its talcum powders. This had a negative effect on its other product ranges as well, including baby soaps. Its dominance in this category is threatened with both Himalaya and Dove coming up with soaps in this sub-segment. Himalaya has not only disrupted J&J's legacy categories such as talc and oil, but also smaller newer categories in the baby-care space such as creams and wipes.

Himalaya had a distinct advantage while capturing J&J's market share because it was already perceived to be a brand that promotes natural and chemical-free products – hence, better for babies. As a customer Romil Jain, a Mumbai-based finance professional put it, "I prefer Himalaya for my kid, given that the product is ayurvedic, with strong medical credentials. The brand is deeply rooted in our Indian traditions and has a nice fragrance as well. No other brand gives me all these qualities. And the most important thing – it is safe for my kid." In addition to the trust factor, Himalaya's strong direct reach in the chemist channel (given higher salience of medicated/ OTC products) vs. HUL has accentuated the shift in its favour, since consumers generally purchase baby diapers the most-consumed item in the baby lifecycle from the chemist channel.

Himalaya, a Bangalore-based company established by Mohammed Manal in 1930, already holds a quarter of the baby-care market in which it has become the second largest player. It is doing everything to increase its share – in 2017, it launched exclusive 'Moms and babies' stores to increase awareness about its brand, said NV Chakravarthi, General Manager, Himalaya BabyCare, while talking to the media – "With the launch of Himalaya's exclusive shop for moms and babies, we will be able to create visibility as well as provide easy and convenient access to Himalaya BabyCare and For Moms products under one roof." These stores provide all baby- and mom-care products with two doctors assisting customers. It plans to open 100 such stores by FY22.

Himalaya pips Johnson & Johnson in the baby-care category

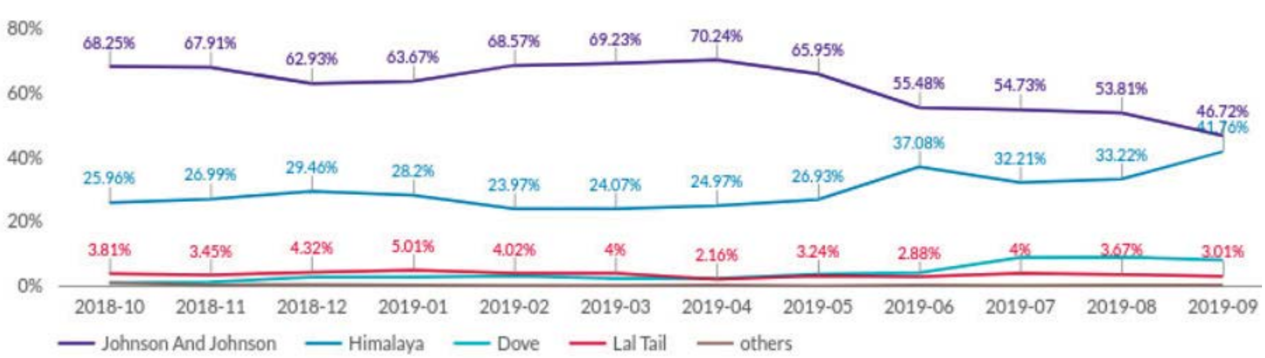


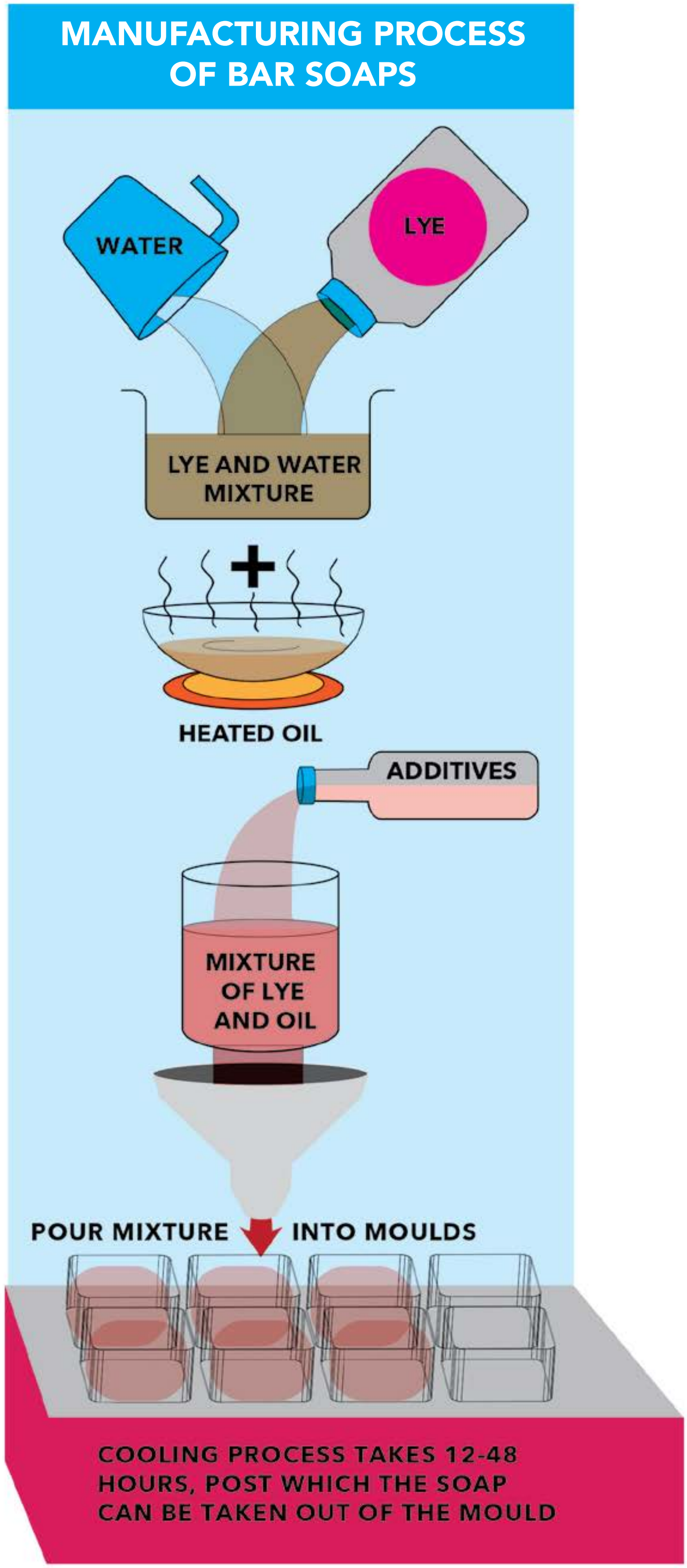
Fig 10: Market Share Trend in Baby Personal Care Category

Source: Redsky Technologies * The above data is for Mumbai market only

Himalaya is already a market leader in baby creams consistently

While Himalaya's success in the baby-care market has been stellar, HUL's Baby Dove has not been able to make too many inroads into the category because the mother brand (Dove)'s positioning has more to do with moisturizing, and it does not have a 'chemicals-free' image. HUL entered baby care by launching Baby Dove soaps, lotions, shampoos and body wash in 2016. At that time, Prabha Narasimhan, then Vice President Skincare - Hindustan Unilever had said, "We are excited to bring Baby Dove to India after a highly successful launch in Brazil. Our aim is to go beyond mildness and ensure that the lost moisture is replenished. Thereby providing superior care, we strongly feel that the Baby Dove campaign resonates with moms globally, and we have set out to reassure moms that they know what's best for their child." On its heels, in 2016, Dabur also launched its Dabur Baby range. However, the Burman family's Ghaziabad-headquartered company's biggest baby-care product is still its mass-market ayurvedic massage oil – Dabur Lal Tail (red massage oil). Recently, in August 2020, Dabur launched a series of baby-care products exclusively on Amazon. Dabur India Marketing Head-Healthcare OTC Ajay Singh Parihar said that these are "based on the age-old knowledge of Ayurveda but available in modern-day convenient formats."

Meanwhile, J&J is losing share across all its segments, but the predominant loss is in creams and soaps, where Himalaya and Baby Dove are gaining month-on-month. Himalaya is already a market leader in baby creams consistently.



Why aren't liquid soaps and body washes gaining traction?

Liquid soaps / body washes can hold more active ingredients for a longer duration, which is not possible for soap bars

Liquid soaps and body washes provide the best of toilet soaps and beauty soaps – i.e., a good combination of skin cleansing and moisturising. Liquid soaps contain surfactants and active ingredients as key raw materials; each has a unique role to play in product formulation. Surfactants act as foaming agents, which help in effectively removing dirt (the main function of toilet soaps) and active ingredients work as moisturisers (main function of skin protection soaps). Liquid soaps / body washes can hold more active ingredients for a longer duration, which is not possible for soap bars. This is because of their solid form, which means they have limited capacity for addition of active ingredients as these keep on evaporating over time due to moisture in the air.

What is holding back rapid adoption of premium body washes? Misconception and lack of awareness is a big deterrent

Despite their better formulation, and even after being around for quite a while now, the sales of skin-protection products such as soaps, liquid soaps, and body washes have not picked up as they should, in relation to toilet soaps. In contrast, in the clothes washing market, a major tailwind (adoption of washing machines) is driving the transition from bucket wash to powder liquids and matics. Liquid body washes, believe it or not, have been around in India for at least the last 15 years. One would think that they would be fairly popular by now, given their superior formulation, right? But no. Despite being around for what is popularly known as 'donkey's years', they account for only 4-5% of the total personal wash market. This category has been languishing, as most customers still prefer bar soaps. Here is why:

- Liquid soaps are perceived to be expensive, given higher upfront costs. However, the truth is, used correctly, they prove much cheaper on a per wash basis vs. soap.

- However, companies have not put in adequate resources into the education of consumers about the application of liquid soaps – therefore, consumers ultimately use more than required and the product loses its value proposition.

- Companies are less willing to divert resources in high media intensive industry towards liquid soap, as bars continue to dominate (c.97% of the market) and remain their customers' preferred choice.

- In the last decade or so, there has been an increased preference for natural products, and these natural or ayurvedic soaps work best in the bar format, since most of their ingredients are in the solid form.

Time-crunch and inadequate water force (shower needed) keeps customers away

Body wash works best under a shower and isn't very suitable for a bucket bath – which many Indians still prefer or is the only kind of bathing experience that they have access to. Indians generally bathe once a day (excluding summers) and that too in the morning. Our consumer survey suggest limited pressure/flow of water or non-availability of a shower facility is holding up purchases of liquid soap. As Nitisha Patel, who lives in the Virar, outskirts of Mumbai put it, "It's not the cost, but the limited water availability and low pressure that has made me avoid shower gels, despite knowing that they are the best for my skin."

In general, consumers who are willing to use body wash are likely to come from the relatively high-income group. And they are generally very crunched for time in the morning. Body washes take more time to use – people have to lather up using a loofah, and its higher moisturiser content invariably leads to more rinsing time. For many consumers, body-washes are synonymous with 'long baths' – more of an indulgent activity, to be enjoyed at leisure, usually over the weekends or holidays. As a result, adoption of the liquid soap/body wash is being restricted to weekends / holidays.

Body washes take more time to use – people have to lather up using a loofah, and its higher moisturiser content invariably leads to more rinsing time

₹176/- ₹250/- ₹250/- ₹250/- ₹256/-

₹270/- ₹300/- ₹320/- ₹400/- ₹450/- ₹550/-

HUL is present across price points

Source: Bigbasket, Amazon

Gross margins higher for premium soaps

	LifeBuoy	Lux	Pears	Dove	Others	Body wash	Hand-wash	Hand Sanitizer
MRP	160	250	450	550	NA	500	125	500
Less : Distribution margin	(19)	(30)	(54)	(66)		(75)	(19)	(75)
Company's Realisation	141	220	396	484		425	106	425
Less : COGS	(78)	(100)	(140)	(145)		(150)	(32)	(127)
Gross Profit	63	120	256	339		275	74	298
Gross margin (%)	45%	55%	65%	70%	55%	65%	70%	70%
Soaps segment gross margin	55%							
% contribution to HUL's soap sales	31%	29%	12%	16%	12%			

Source: PhillpCapital estimates

Regional preferences are a big factor to consider

Regional preferences and well-entrenched distribution network of local players makes a switch to national brands that much more difficult. In their respective regions, local players (such as Nirma in Gujarat and Maharaja Soaps in Rajasthan) are stronger than national players, as they provide the best quality at a reasonable price (priced very competitively vs. national players) and work on push-based approach by giving higher margin to trade partners. Also, they have a well-entrenched distribution network – far deeper than national players – in rural hinterlands.

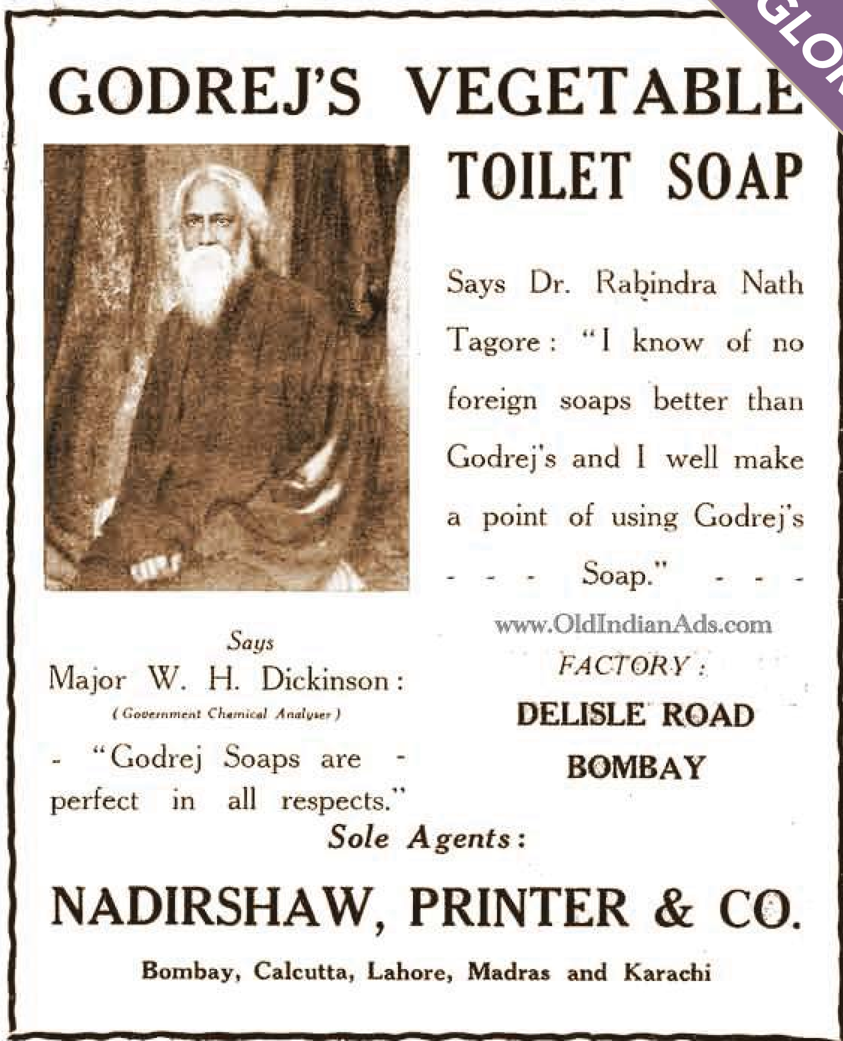
ITC (Fiama) and Nivea dominate the liquid body wash market

Another special trait is that regional players are able to grow, rather than just maintain business, without much advertising support (vs. the high-decibel ad campaign run by large FMCG players). this speaks volumes about their capability, consumer loyalty, and entrepreneurship acumen. As Saharh Somani, a representative of Maharaja Soaps told PC analysts, "Despite strong incumbents, we are present since the last three decades, as our target audience is different (BOP customers) and we have deep rural reach, where even a strong national incumbent has no presence, as it is expensive for them to reach such hinterlands."

Godrej No.1 – How it became numero uno in the VFM segment

Climbing the ladder: For a considerable period, Godrej No.1 was sold in the premium end and was priced at par with Cinthol and Hindustan Unilever's Lux. In fact, in the mid-1980s, it was priced higher than Cinthol. Hence, it occupied 15th spot in brand ranking, much below even Cinthol. Consumer pundits believe its appearance (it was a chunky rectangular bar) led to an adverse reaction from its up-market target consumer group – they wanted something that looked sleek. The company did not alter the design, and the brand continued to languish. Sometime in 1988, GCPL decided to withdraw the soap from the market. Then, almost ten years later, around 1997, the company found that its flagship brand Cinthol had come under attack from lower-priced soaps like Breeze and Nirma. Consumers began switching from Cinthol to these brands, which carried lower price tags. That is when it brought back its mothballed Godrej No.1 brand. It relaunched the soap as a price warrior, at a significant discount to Cinthol, but close to Breeze and Nirma.

Godrej No. 1 is the D-Mart of the soaps industry – it reached 4th position with minimal advertising support.



Tagore in an Ad for Godrej Soap in 1930's. Pic from the Godrej Archives

SOME INTERESTING TRIVIA

- **The first vegetable oil soap marketed by Ardeshir Godrej was named No. 2. When No. 1 was launched many years later, this is how he explained why #2 preceded #1– "If people find No. 2 so good, they will believe No.1 will be even better!"**
- **Rabindranath Tagore, Dr. Annie Besant,Dr. M A Ansari and C Rajagopalachari were among the earliest loyal users of GCPL soaps**

GCPL's fortunes changed for the better after the dotcom bubble went bust in 2000 as customers started down-trading in FMCG products. However, when the overall soaps category declined 9% yoy, the economy segment (in which GCPL had a strong presence through Godrej No.1) grew 16% yoy during the same period.

No.1 is a Grade 1 soap even as its key competitors such as Lux, Santoor, and Vivel fall into Grade 2.

Godrej No.1 has not looked back after its re-carnation: Godrej No. 1 has been able to hold its own despite severe competition from all corners, and limited advertising support at 1% of sales. This is despite operating in the hyper competitive soaps industry. Why? Mainly due to its strong value proposition. No.1 is a Grade 1 soap even as its key competitors such as Lux, Santoor, and Vivel fall into Grade 2. It provides higher value to its consumers at the same price. With No. 1, customers can have an additional 4-5 baths vs. competitors' products.

Smartest brand to do ATL/BTL (Above the Line/ Below the Line) spends wisely: GCPL has been smart enough to strategically place promotional offers and was a pioneer in the concept of bundled packs. These were a win-win for everyone, as the company was able to lock customers for a longer duration while customers got quality products at reasonable prices. It is quick to understand needs and move to specialized packaging. For example, its recently launched pack of 5 (57gm each) in Gujarat is one of the country's fastest moving bundle packs whereas Its 125gm box pack (which enables it to look more appealing and larger) in Kerala helped it to compete with strong players that had have box size packaging soaps – Medimix and other ayurvedic brands.

Never took a blitzkrieg approach in advertising: No. 1 mainly advertised only on Doordarshan because it is cheaper than private Hindi GECs and had just the reach that this product needs. Keeping rural markets in mind, GCPL came up with ground-level marketing initiatives that included participating in exhibitions and local puppet shows. On account of merger of GHPL with GCPL in 2011-2012, GCPL undertook a massive brand campaign to re-launch its master brand "Godrej". This also had rubbed off effect on Godrej No. 1.

Merger of GHPL with GCPL catapulted growth: Godrej Household Products Limited (GHPL) was a JV between Godrej Consumer Products (49% stake in the JV) and the US-based Sara Lee and Body Care (51%). In 2011, GCPL bought Sara Lee's stake and merged GHPL's operations with GCPL. The integration helped it to achieve economies of scale with higher cost synergies, better product portfolio, and a stronger distribution network. GHPL was strong in south India while GCPL was strong in North India. GHPL mainly sold household insecticides while GCPL had major contribution from soaps and hair colours.

Understands variants and regions better than peers: Launching soap variants in line with latest consumer preferences has been a sustainable competitive advantage for GCPL. For example, it moved away from flower-based fragrances and launched fruit-based variants in from 2007 to 2010, such as papaya-lotus (2007-2008), strawberry, walnut (2010).

GCPL soap variants

- Jasmine Milk Cream
- Saffron Milk Cream
- Glycerine Honey
- Coconut Cream
- Rosewater Almonds
- Lavender Milk Cream
- Gulaab Abhyang Snan
- Chandan Abhyang Snan
- Sandal Turmeric
- Lime Aloe Vera

Regionalised approach to garner market share: In September 2019, it launched Godrej No 1 Chandan Abhyang Snaan specifically for Maharashtra, just ahead of Diwali season, in order to compete head-on with HUL's Moti soap, which is considered to be a must-have soap for bathing rituals during Diwali festivities. Moreover, it launched Godrej No.1 Extra Strong Lime in Punjab almost at the same time given that consumers prefer strong lime variants there, which will further strengthen its leadership position in Punjab. "There are lots of micro-marketing initiatives with specific SKUs being launched for specific markets and so the momentum in soaps continues in spite of a challenging environment in the category" – said GCPL management in one of its concalls.

Moti and the niche market of ritual baths

HUL acquired the Moti brand from TOMCO (Tata Oil Marketing Company) in 1993. At that time, it already had many soap brands in its kitty, which used to cannibalize each other's sales. Hence, the management decided to restrict the sales of Moti soap (and its advertisement) to a specific ritual bath called Abhyanga Snan, which is taken during the Diwali festival.

What is Abhyanga Snan (or purifying bath)?

"This traditional bath on the morning of Narak Chaturdashi during Diwali is incomplete without the 'utna', a mixture of powdered fragrant ayurvedic herbs. Utna is applied on the body before the bath, always at dawn. In fact, Indian women have traditionally bathed with utna regularly. Because of HUL's positioning, Moti was not seen as a soap, but rather as part of the festive ritual of Abhyanga Snan. In Maharashtra it is called pahili aanghol – or first bath. Moti is one of the largest selling soaps around Diwali in Maharashtra, and has a customized plan to cater to this unique ritual demand. The use of Moti and the ritual of Abhyanga Snan is a Marathi tradition, passed down through generations, and HUL plays its part in keeping this tradition alive.

Wipro Santoor – Sandalwood and turmeric queen

How has Wipro been able to capitalize on this golden opportunity? Wipro Consumer Care has been able to increase its market share – from 9% in CY14 to 12% in CY19 – because of consistent communication (glowing skin, usage of natural ingredients), focus on specific geographies (such as AP, Telangana, Maharashtra, Gujarat and Karnataka), consumers affinity towards natural and herbal products, transition to direct distribution network from being predominantly wholesale-driven, backward integration (setting up India's largest soap-noodles plant) and leveraging its procurement capabilities (was one of the largest players in the vanaspati ghee market at one point).

Santoor – the queen of the sandalwood and turmeric combo: Santoor was originally launched in 1985 as an ordinary soap with sandalwood and turmeric being its main ingredients. Though established brands Moti (HUL) and Mysore Sandal (Karnataka Soaps and Detergents Ltd – State Government PSU) already had sandal as main ingredient, they were available for a premium. Wipro tried to position Santoor in the skincare segment at popular pricing.

The Haldi and Chandan premise

Haldi (turmeric) and chandan (sandalwood) are very popular elements of Indian marriages. In fact there is a special event, literally called Haldi, where the bride and groom's family and friends apply a haldi and chandan paste on the bodies of the bride and groom to 'brighten' and 'purify' them before their wedding. Haldi and chandan is considered the best natural ingredients for healing and yes, fairness, which is sought after in India.

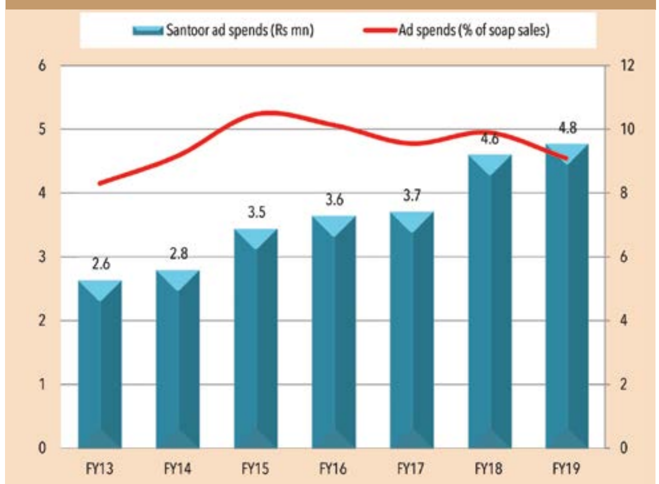
The 'mummy moment' – pivotal and iconic: However, when the company realised that banking on ingredients may not bring long-term sustainable results, it decided to reposition the brand from being ingredient-oriented to benefit-oriented on a platform of 'younger looking skin'. It is known for its famous 'mummy' ad campaign. The ads follow a standard but immensely

Since the last 35 years, Wipro Consumer has maintained remarkable consistency in its branding despite a heavy onslaught of competition, and now Santoor stands for the 'mummy moment', the surprise of a mistaken identity and finally the promise of younger looking skin with the usage of natural ingredients

appealing format where a woman is mistaken for being a girl, and only when her child runs up to her calling for her does the viewer realise that she is older than she appears to be. Since the last 35 years, Wipro consumer has maintained remarkable consistency in its branding despite heavy onslaught of competition, and now Santoor stands for the 'mummy moment', the surprise of a mistaken identity and finally the promise of younger looking skin with the usage of natural ingredients. Such has been its conviction in this campaign that the narrative has remained the same, even as it has begun roping in celebrities such as Safi Ali Khan and R Madhavan – the star of the ad has always been the "Mummy". As Mr Prasanna Rai, Vice President, Marketing, Wipro Consumer Care & Lighting, said in 2019 in a media article – "This is the first time Santoor has roped in three celebrities (Bollywood star Varun Dhawan for the west and north markets, Telugu actor Mahesh Babu for Andhra Pradesh and Karnataka, and Tamil star Karthi for Tamil Nadu and Kerala) were brought on board simultaneously for different regions as part of the brand's hyperlocal marketing strategy."

How was Santoor able to grab market share under HUL's nose? HUL never took Santoor very seriously in the initial years, since it went by the philosophy that soap brands just come and go. Moreover, after its acquisition of TOMCO (Tata Oil Mills Company) in 1993-94, it had a plethora of soap brands (Hamam, Moti, OK) to deal with. A former HUL executive agreed that Santoor was clearly underestimated. "We tried to take it on with sandalwood versions of Lux and Breeze. But both were no different from Santoor, and without a clear proposition, they made no impact," he said. By the time they launched sandalwood soaps in the market, Santoor already had a loyal following. He also said that Lux should have stuck to being the 'pedestal brand' with leading female celebrities endorsing it. "Having Shahrukh Khan as the brand

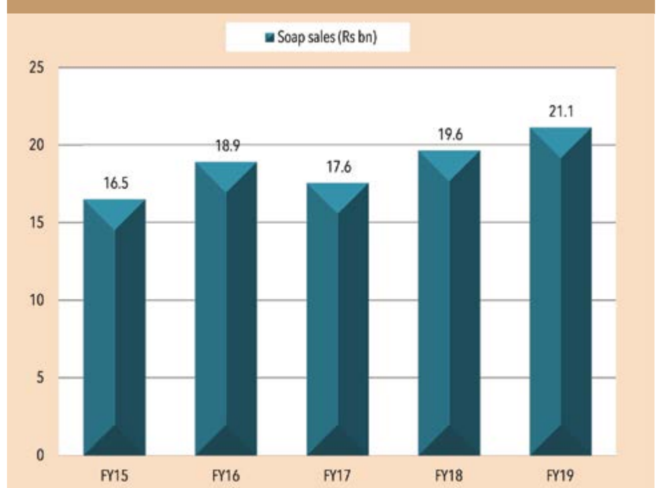
Santoor on a Blitzkrieg



Source: Redsky Technologies * The above data is for Mumbai market only

* Ad spends are for the entire company – i.e., Wipro Enterprise; if one were to exclude non-FMCG business of Wipro group, then ad spends would be in the range of 17-18% indicating hyper-competitive media intensity

Sales of Santoor have grown c.*6% over FY15-19

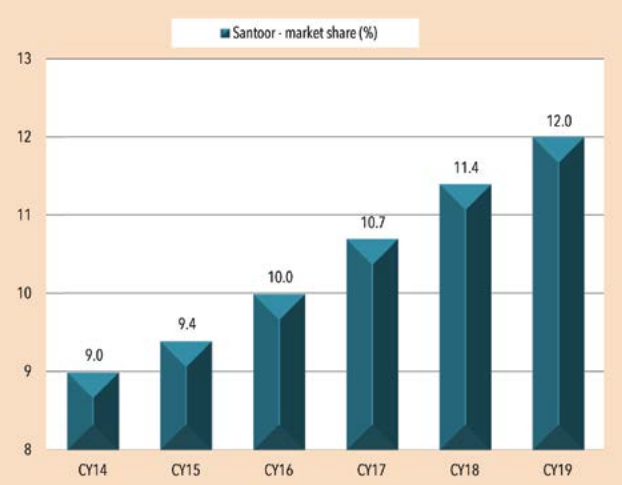


Source: Company

*Note: If they were to exclude impact of accounting of trade promotions during FY17, sales would have grown in the range of 10% CAGR ambassador or selling the soap with ingredients took the sheen away from Lux. That only opened up the market further for a brand like Santoor," he added ruefully.

Santoor wasted no time in grabbing the opportunity that HUL's slackened focus provided; by doing things such as changing the packaging, the brand gained a modern appeal. This was at a time when HUL shifted attention to its personal care business for higher profitability. With the resurgence of ayurveda around 2015-16, Santoor's sales exploded since it has historically marketed its product on the haldi (turmeric) and chandan (sandalwood) platform – most Indians firmly believe these ingredients help to keep the skin radiant.

Santoor's market share



Source: PhillipCapital Estimate

One area that still remains a 'virgin territory' for Wipro is organic products. However, Mr Vineet Agrawal (CEO, Wipro Consumer Care) believes that there is still some misperception in the buyers' minds about what organic products really are. "While I think there is confusion in the consumers' minds about how ayurveda, natural, and organic products differ from each other, there is indeed a shift towards natural products, and that is one of the reasons for the growth of Santoor as a brand," he said in a media article.

Micro marketing + regionalisation strategy has helped to avoid distractions: In the early 1990s, when Santoor was struggling on a pan-India basis due to intensive competition, it decided to focus on certain geographies (Andhra Pradesh, Telangana, Karnataka, Maharashtra and Gujarat) and reduced its focus on north and east India (which accounted for only 10% of its sales). Basically, Wipro Consumer's management decided to focus on south and west India (which now account for 70% of its sales), as it was already selling Sunflower Vanaspati Ghee (Dalda) through Kirana stores in these markets and had a strong distribution network. Since Santoor is a benefit-driven soap, restricting it to southern markets made even more sense, since south-India customers are predisposed to benefit-driven soaps rather than value-driven ones.

How did Santoor dislodge Rexona, who was the market leader in combined Andhra Pradesh? Rexona (HUL) was the market leader (25-28%) in the then combined Andhra Pradesh market (with Telangana). Santoor turned the tables by leveraging its product proposition, strong distribution network, and maximizing ad spends in regional media. At present, Santoor has a market share of more than 35% in Andhra Pradesh and Telangana, while the rest is split between Rexona and other brands. "Rexona started experimenting with the brand by getting into areas such as deodorants and that helped us push Santoor," said Mr Vineet Agrawal, CEO, Wipro Consumer Care Ltd to the media.

HUL's loss was Santoor's gain in Andhra Pradesh: HUL in the 1990s was focussed on its big brands Lux and Lifebuoy, and did not give equal emphasis to regional soap brands such as Rexona (AP) and Hamam (Tamil Nadu). In fact, in a big blunder, towards the end of the 1990s, HUL rebranded Rexona as Lux-Rexona. The new identity created confusion among consumers and traders; Rexona's good for skin proposition got muddled with Lux's looking-good beauty proposition. This created what Vineet Agarwal, CEO of Wipro Consumer Care, dubbed a 'golden opportunity' for Santoor. In a media article in 2019, he said, "We felt that Rexona was probably the weaker brand in HUL's portfolio to attack". Wipro sharpened its attack on Rexona and positioned Santoor as the only brand that makes skin look younger. After two years, HUL dumped the Lux-Rexona branding, leaving Rexona to its original solo existence. Meanwhile, Wipro strengthened its distribution network, especially in rural areas, by giving higher incentives and trade margins, specifically targeting smaller shops.

Wipro sharpened its attack on Rexona and positioned Santoor as the only brand that makes skin look younger. After two years, HUL dumped the Lux-Rexona branding

Santoor's ad and marketing aggression – Santoor was everywhere: Santoor capitalised on the early days of satellite television. Media costs were affordable in Andhra Pradesh while not so much in Tamil Nadu, where good quality Tamil channels were limited and media sector is controlled by local politicians. Santoor's aggression was not limited to television. For two months in a year, it turned a bunch of cities in selected geographies 'orange'. This strategy is adopted by consumer goods companies to create strong brand recall in consumers' minds. Since Santoor's packaging and product were orange, thousands of shops were painted orange, and hoardings and banners (all orange) were plastered across towns and cities.

Santoor communicated through local outdoor prints – hoardings and wall paintings in rural areas and it focussed on outskirts of key cities and smaller cities (for example Warangal, Guntur, not Hyderabad in AP) so that it would not come in the radar of large players such as HUL. Indigo Paints, fifth largest Pune based organized paints company adopted a similar strategy vs. goliath Asian Paints. This is because aggressive ad campaigns may prompt fierce combative responses from larger players. In any case, metros and main cities are cluttered, which makes penetration a bit difficult.

Santoor hasn't achieved similar success in other southern markets due to various reasons:

- Higher media costs in the Tamil Nadu market while HUL's Hamam is one of the leading players.
- Customer preference for neem-based products in the Kerala market; Medimix and other ayurvedic brands do well here.
- The presence of state-sponsored competition – such as Mysore Sandal (sandalwood soap) manufactured by KSDL. In Karnataka, this state government soap continues to do very well despite Karnataka being one of Wipro Consumer Care's 'focus' markets.

Leveraging back-end capabilities to the fullest: Over the years, Wipro has been leveraging its procurement advantage. Wipro used to manufacture vanaspati ghee – fat made out of vegetables oils, usually palm oil. Soap and this fat have a common raw material ¬– palm oil, which enabled Wipro to garner economies of scale in raw material procurement. Because of this advantage, it can spend hefty amounts in ads, which enable it to strengthen its brand equity / moat further. However, in 2013, Wipro sold its dalda business to Cargill for Rs 0.4bn.

Backward integration enabled growth in gross margin: Wipro Consumer Care set up two state-of-the-art plants (fatty acid and glycerine plants and soap-noodles plants – both are the largest in India) in Haridwar in FY15, which helped it to improve its productivity and capacity.

Wipro's gross margins

Caveat: Note that gross margin numbers are for the entire company – Wipro Consumer Care and Lighting, but a major share of profit for the entire company comes from Santoor.

Win some, lose some: In 2013, Santoor forayed into glycerine soaps with the launch of Santoor PureGlo – targeted primarily at the north and east regions, where winter is severe compared to west and south India. Glycerine is the best form of moisturising for skin (forms a layer) and currently HUL's Pears dominate this category with c.80% market share in glycerine-based soaps; other players include ITC (Fiama Di Wills) and Jyothy Labs (Margo Glycerine).

What about Santoor's brand extensions? Santoor has grown from a single-soap brand to produce variants such as Santoor Pure Gold, Santoor White, Santoor Pure Glo, Santoor Baby, Santoor Aloe Fresh, and Santoor Roseglo. It has also extended the range to talcum powder, deodorants, liquid soap, and handwash. However, its legacy orange soap variant still contributes to more than 90% of Santoor's revenue, which shows that its brand extensions have not fully worked in its favour, as it is difficult to beat reigning market champions.

Slow-and-steady strategy in the Chhattisgarh market is paying off: Wipro Consumer Care's follows these three things to grab customer share: (1) Spend disproportionately on regional media. (2) Drive increased consumer sampling / trials. And (3), incentivize trade partners heavily. This strategy has delivered phenomenal results in Chhattisgarh, a new bastion, where it has become a#1 player in rural markets. Besides, as Vineet Agrawal, CEO, Wipro Consumer Care and Lighting said in a year 2018 media article, "The south and west markets are so big for us that other regions start looking relatively small." The process may have been a slow, but it is paying off now, he believes – "In Chhattisgarh rural, we have become number one, so it's a slow expansion, but it is happening."

Tie-up with VVF hasn't worked out as expected: In 2018, Wipro Consumer tied up with VVF Ltd – a strong player in the east region with brands such as Jo, Doy, and BacterShield soap – to market Santoor in north and east India. These regions have been its weakest link so far. In turn, Wipro Consumer will market VVF's products in west and south India – where Santoor is already strong. However, the tie up with VVF is yet to deliver results for Santoor in the north and east; cross-pollination of brands is difficult, since distributors give preference to strong brands in strongholds (in this case VVF's brands), and end up giving step-motherly treatment to weaker or newer brands (in this case Santoor). However, Wipro Consumer seems to be willing to try a new approach for these regions. "We are on the verge of dis-integrating and appointing separate distributors for the Santoor brand in Assam and other north-eastern markets, since distributors of VVF are not giving Santoor adequate focus – which is required for driving sales," said a Wipro Consumer Care, Area Sales Executive for Guhawati region.

Mysore Sandal Soap – Wish you were listed

THE REMARKABLE HISTORY OF MYSORE SANDAL SOAP

- During World War I, exports of sandalwood were stopped and reserves piled up. The solution was to use them to extract sandalwood oil. To this end, in 1916, a government-owned Sandalwood Oil Factory was established by the Maharaja of Mysore, His Highness Nalwadi Krishna Raja Wodeyar, and Diwan Sir M Visvesvaraya.

- In 1918, when the Maharaja received a gift pack containing soaps made using sandalwood oil, the idea of using the natural sandalwood oil for making soaps was born.

- To put this into action, SG Shastry, a qualified industrial chemist, was sent to London for advanced training in soap and perfumery technology. On his return, he developed a sandal perfume. This marked the era of the Mysore Sandal Soap. This was the first indigenous soap produced in the country with sandalwood as the base fragrance.

- It is also the only soap in the world made from 100% pure sandalwood oil; while it contains other vegetable oils like clove leaf, vetiver, patchouli and orange, there is no animal fat.

Mysore Sandal, a government run enterprise, has been giving behemoths in the FMCG industry a run for their money

How did Mysore Sandal build its premium brand image? Product differentiation

- In those days, most soaps were cuboid (rectangular) and wrapped in thin shiny paper.

- Mysore Sandal soap was ovoid (oval) and since it had a rich cultural heritage, it was offered to customers almost like a precious jewel, packed in a rectangular box with floral designs on it, and wrapped in tissue paper – like jewellery was wrapped in those days.

- The 'precious' proposition it carries forward even today. As recently as 2012, Mysore Sandal launched the most expensive soap in India – Mysore Sandal Millennium Soap (Grade 1) – which it priced at Rs 810 for just 150 grams!

Source:classicindianads

- Systematic advertisement: Major cities in India and even abroad carried neon sign boards of this soap.

Source: Old Indian ads

- The company used to take out half page ads in newspapers such as The Hindu to promote the brand.
- It plastered its soap box pictures on even match boxes and tram tickets.

How did Mysore Sandal overcome immense odds: The company was making heavy losses between 1980 and 1990, given that its marketing rights were vested with another state run enterprise MSIL – Mysore Soaps International Ltd – which wasn't doing enough to drive sales. In the beginning of the 1990s, Karnataka state government took away marketing rights from MSIL and gave them to KSDL, apart from providing interest-free unsecured loans worth Rs 35mn to KSDL between 1990-1996, which led to the brand coming out of near oblivion. As the company grew, more products were added and the employee strength multiplied, but it still faced problems. In the 1990s, despite increased production, the lack of coordination between the production and marketing departments and consumer disinterest at the market level saw stocks piling up. There were allegations of mismanagement and corruption as well.

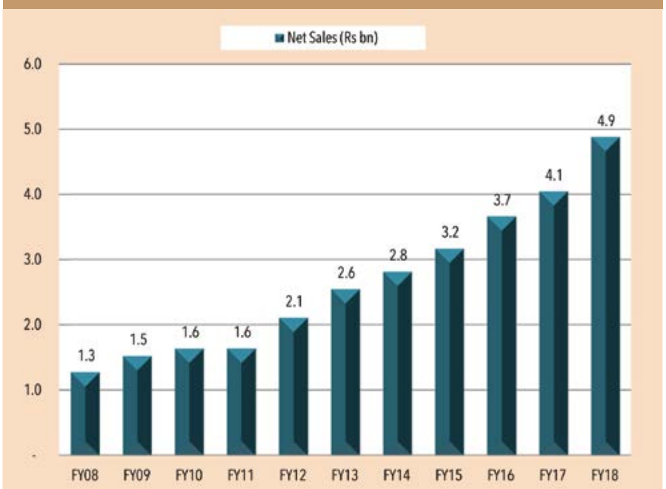
In addition, KSDL began facing heavy competition in the market. As losses built up, the company registered with the BIFR (Board for Industrial & Financial Reconstruction) in 1992, which came up with a rehabilitation package. Soon, KSDL started showing profits again. In fact, it showed continuous profits year after year, and by 2003, had wiped out its losses and come out of BIFR – the only state public sector unit to have done so.

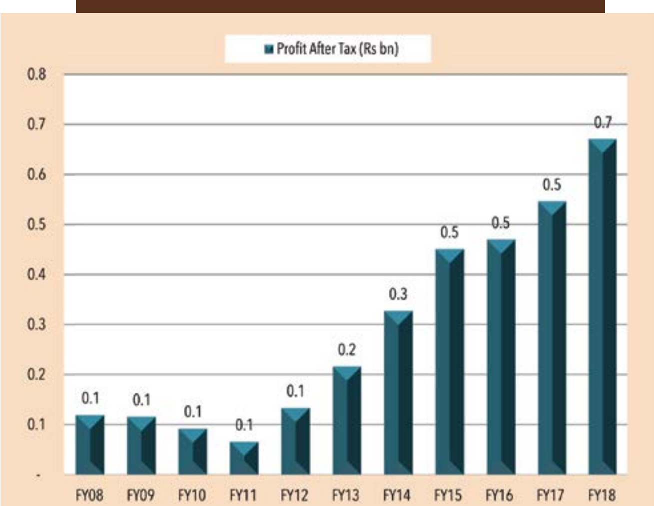
Mysore Sandal's market share in India stands at just 1-2%, but in the premium soap segment, its market share is 12-13% on a pan-India basis, given 15-20% of the Indian soap market is premium

GI tagging and endorsement by MSD – a much needed shot in the arm: Mysore Sandal soap was facing severe competition from lookalike and counterfeit soaps till 2005. However, it got a great shot in the arm once it got the GI (geographical indication) tag from the Indian government. An old-timer of KSDL, Mr MB Rao, in a recent media article said, "The company, after the glorious days of the Wadiyars, was on subsistence functioning till it got a Geographical Indicator or GI tag in 2006. From then on, the products, especially Mysore Sandalwood Soap, got a boost; revenues have been going up steadily."

KSDL appointed Mahendra Singh Dhoni as a brand ambassador in 2006, which led to increasing sales in north India, which were negligible prior to his appointment. Three southern states – Karnataka (30%), Tamil Nadu (33%) and AP contributed 85% of KSDL's sales. Currently, Mysore Sandal's market share in India stands at just 1-2%, but in the premium soap segment, its market share is 12-13% on a pan-India basis, given 15-20% of the Indian soap market is premium. Mr M R Ravikumar (MD, KSDL) said in a media article in 2019, "The company holds 40% market share in the premium soap segment in the southern markets and commands huge popularity in Tamil Nadu, Andhra Pradesh and Telangana, followed by Karnataka. Mysore Sandalsoap (75 gm) remains to be the company's star product, contributing the most of the revenues."

KSDL: Hope you are listed soon!! Key financials





Source: Company

What led to such phenomenal financial performance?

Mysore Sandal created a niche for itself in the southern market (c.85% of its soaps sales are in the region) by playing up its heritage and keeping its communication intact since many years on the platform of fair complexion and perfumed freshness. While the fairness proposition sounds incongruous in today's world, it cannot just be ignored that it was a well-accepted one in Indian society (still is to an extent, although things are changing for the better) and worked for many products until very recently.

- **Re-birth of Ayurveda:** Increased awareness of the negative impact of chemical-heavy products and the growing popularity of Baba Ramdev during 2015-16 led to customers switching to more natural products.

- **Launch of low-unit packs –** KSDL entered the popular soap segment in 2017 via launching five variants at a popular price point of Rs 20 (for 100 grams); however, these soaps do not have its signature sandal scent. The lowest price for a sandal soap (75 gm) is around Rs 35 apiece.

Incentivizing its distributor channel: KSDL has been able to increase sales via rewarding distributors who met sales targets with silver or gold coins through a lucky draw. Its annual 'Soap Santhe (fair)' is another initiative that has received encouraging response from the public.

Re-imagining its brand to lure the younger population: Mysore sandal soap has always kept its heritage intact, and continues to remain a popular soap for the 40+ age group. It is yet to get acceptance among the youth. In order to gain traction, it has launched various brand extensions such as Youth Soap, Beauty Soap, Health Soap, and Glycerine Soap.

ITC Money does not guarantee success

Why didn't it see the same success in soaps, as it had in foods?

ITC has a "top-down" approach to cracking categories in the FMCG business. This is a strategy which the company perfected in its mainstay – the cigarette business – and has replicated in its personal care, food, and stationery operations. Typically, ITC enters any new category at the premium end, builds its brands, and then rolls out the mass range. For example, it entered the stationery segment with the premium Paperkraft range in 2002, and then followed it up with the mass-market Classmate range the next year. By 2007, Classmate became the largest notebook brand in the country. "Indian consumers love premium and imported products. Hence, had we started from the bottom end of the market, consumers would have never accepted us when we entered the premium segment," said ITC's executive director Kurush N Grant.

Vivel was successful up to a point, mostly initially

Similarly, in 2005, when it forayed into the personal-care market, it was through the super-premium brand Essenza Di Wills in perfumes, bath, and body care. This was followed by premium brand Fiama Di Wills in 2007, the mid-market brand Vivel, and eventually the mass-market Superia. ITC seems to have segmented the market well, and has different products to cater to different segments, but its core brand, Vivel, is one of the most focused ones, ground-level checks revealed. Vivel is a market leader in the northeast and one of the top-3 brands in West Bengal, Orissa and Kerala.

Ever since the launch of Vivel in 2008, ITC has launched various variants year after year, which has led to strong market share gains in northeast markets and other eastern markets such as West Bengal and Orissa. Channel checks reveal that it has been able to garner such a healthy share due to the step-motherly treatment given to northeast markets by other soaps peers. This is because it difficult to service such a tough geographical terrain in the wake of lower volumes. The business opportunity size is also lower due to climatic conditions (colder climate leads to lower bathing occasions) and even per capita income is low in the region. However, ITC viewed this apathy towards this province as an opportunity and tried to get its foot in the door. It set up a state-of-the-art in-house soap-manufacturing facility in Guwahati in 2017, which helped it to service the northeast market in a highly responsive and efficient manner, giving it quite a strong holding in this market.

The reason for the initial success of brand Vivel has been a combination of push-pull strategy. In every store, ITC made sure Vivel products were at eye level to increase visibility.

It also increased distribution reach. In addition, celebrity endorsement for the look-good proposition worked well in its favour. In its initial launch period, Vivel came with lot of consumer promotional offers (bundle packs at attractive prices, free Classmate notebooks) and higher margin to trade partners in the form of schemes. While all these led to early market shares gains, these have since stagnated once these offers/schemes were withdrawn. Vivel had a market share of 1.6% in 2010 in the bath and shower category, up from 0.9% in 2008; it has stagnated at 2.5% for more than a decade now.

In every store, ITC made sure Vivel products were at eye level to increase visibility

Fiama Di Willis and Superia saw limited success

External environment (blunders by HUL in raw material procurement and pricing) led to ITC gaining market share of 5% in soaps in 2010, which thereafter has remained more or less stable. This is because while Vivel did reasonably well, ITC's two other soap brands, Fiama Di Wills (premium brand)) and Superia (economy segment) haven't seen much traction. Fiama Di Wills has not been able to make a mark in the premium segment, given intense competition from HUL (Pears and Dove brands).

What is there in a brand name?

Superia did not click as ITC got the brand name wrong. India's rural people love an English-sounding name (in this case – Super). But instead of Superia, they began pronouncing it Supriya (a common Indian name for girls). Because of this, the name wasn't able to have the desired impact – convey a super (value-for-money) proposition.

ITC's two other soap brands, Fiama Di Wills (premium brand) and Superia (economy segment) haven't seen much traction

One step forward, two steps back

Despite Vivel's huge success in initial years (CY08-CY13) because of new launches and market share gains, its market share stagnated over CY14-19 due to constant launches and re-launches and lack of focus to back them up.

ITC's constant launches and relaunches across soap brands

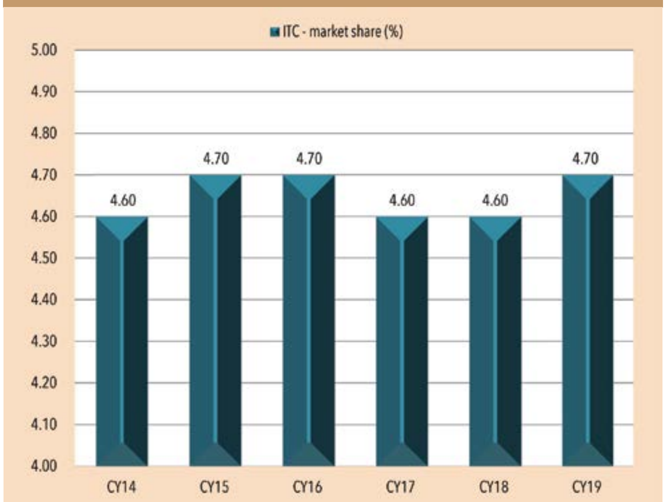
Year	Brand	Variant	Category
FY09	Vivel	Ultra Pro Shampoo	
FY10	Fiama Di Wills	'Fiama Di Wills' Gel Bathing Bar	
	Vivel	Milk Cream & Glycerine Bathing Bar	Winter
	Vivel	Deo Spirit	Freshness
	Superia	Milk Glow	
	Superia	Lemon Fresh	
FY11	Vivel	Active Fair Fairness Cream	
	Fiama Di Wills	Aqua Pulse Bath Care	Shower Gel & Bathing bar
FY12	Vivel	Vivel Luxury Créme	
	Vivel	Vivel Clear 3-in-1	Transparent soap
	Vivel	Face wash	
	Fiama Di Wills	Talcum powder	
	Fiama Di Wills	Face wash	
	Superia	Fairness cream	
FY13	Fiama Di Wills	Couture Spa Soap	Signature range
	Fiama Di Wills	Fiama Di Wills Men's Collection Edition Soap	
	Fiama Di Wills	Aqua Pulse Deodorant Spray	
	Vivel	Vivel Cell Renew range	Body Lotion, Hand crème & moisturizer
	Vivel	Vivel Perfect Glow	Skin Toner
FY14	Fiama Di Wills	Fiama Di Wills Gel with Skin Conditioner Bathing soap bar	Gel + conditioner
	Fiama Di Wills	Couture Spa Soap second edition	Enriched with gold, skin conditioners and skin care enhancing
	Vivel	Skin nourishment soap range	
	Vivel	Dual colour soap	
FY15	Vivel	Vivel Love & Nourish	
	Vivel	Vivel Glycerin	
	Superia	Superia Deluxe	
	Superia	Superia Naturals	
	Fiama Di Wills	Fiama Di Wills - Shower Jewel	Shower Gel - Design by Masaba Gupta
FY16	Fiama Di Wills	Double Moisturiser Bathing Bar	
	Vivel	Vivel Neem soap	
	Superia	Superia Silk Cherry Bar	
	Vivel	Vivel Cell Renew range	Makeup cleanser, Clarifying Skin Toner, Night Cream
FY17	Vivel	Vivel Cell Renew range	Aqua Quench Cleansing Mousse
FY18	Fiama Di Wills	Gel Crème range	Soap bar and Lqiuid
	Vivel	Vivel Lotus oil	Lotus and Vitamin E oil
FY19	Vivel	Vivel Cool soap	
	Vivel	Vivel Bodywash	
FY20	Fiama Di Wills	Fiama scents bodywash	Long lasting frangrance with micro fragrance capsules
	Fiama Di Wills	Mood uplifting handwash	

Source: Company

ITC continued to find its niche; ended up launching products

As a Navi-Mumbai based ITC distributor told PhillipCapital's analysts, "Ever since ITC's launch of Vivel in 2008, it has continued launching and relaunching variants every year. As the number of SKUs and variant expanded, the brand somewhere lost its sheen and focus. It never backed a launch for a substantial enough period. Similar launches were made in Fiama Di Wills, but nothing concrete came out of these launches."

ITC's market share remains stagnant



Source: PhillipCapital Estimates

Lack of scale makes the task more challenging in the hyper-competitive soaps category

Sudhir Sitapathy, in his book "CEO Factory", highlights that scale is of paramount importance in soaps, given that fixed costs are high and there is hyper competitive intensity. It seems ITC has decided that it does not want to bleed further in categories that have strong incumbents who are unlikely to cede any meaningful market share.

Instead, it is focused on profitable growth in personal care, said Sameer Sathpathy, CEO-Personal Care, ITC to the media: "We will launch a new personal care brand or product every month with focus on innovation-led, differentiated, and high utility products which can break the clutter in any category." Some of the innovative launches include compact sanitisers in the shape of pens, pocket perfume Engage ON, and skin care brand Dermafique

ITC failed to make the cut in highly competitive and high-volume categories such as soaps and shampoos

ITC's market share remains stagnant across brands

Brand	CY14	CY15	CY16	CY17	CY18	CY19
Vivel	2.5	2.5	2.5	2.5	2.5	2.5
Fiama	1.2	1.3	1.3	1.3	1.3	1.4
Superia	0.9	0.9	0.9	0.9	0.8	0.8

The tale of Dettol (doctor's soap) and Savlon


Image courtesy: www.dettol.co.in/

Dettol to the rescue: Viewed as a knight in shining armour in Covid times
The COVID -19 pandemic has driven the massive Rs 200bn Indian soap segment into a tizzy – suddenly most Indians went into cleaning hyper-drive in order to avoid the dreaded infection, some going to the extent of washing bananas (that's right - bananas) with soap – talk about going bananas! In these scary and difficult times, consumer surveys suggest that people flocked to brands that they trusted to have hardcore anti-bacterial properties – such as Dettol, Lifebuoy and Hamam.

Such was the consumer frenzy, that Dettol, occupied pole position in soaps category from fourth-fifth position earlier. Laxman Narasimhan, Global CEO, Reckitt Benckiser, recently told the media,"Dettol, a power brand in India, achieved the number one share in soaps in India for the first time. It boils down certainly to the fact that there are tailwinds that you get from covid in India, but it also boils down to some execution improvements we are seeing in both the health segments as well as the hygiene segments. What we are seeing there is a focus on distribution, a focus on ensuring availability, which hasn't been easy, given all the lockdowns in India at various places and at various points."

Or as Sharda Agarwal, co-founder of Sepalika, a healthcare advisory, summarised it, "During a pandemic, people will do everything to protect themselves. It's like closing every door and window, and sealing each crack in a home to not allow the howling wind to come in." It's no surprise that an anti-germ soap like Dettol would see a sharp spike in sales, because everyone seeks reassurance in that extra protection. The reality is that you may not need an anti-germ soap. "We know well by now that the virus disintegrates in any soap solution. But the human mind, especially in fear mode, never thinks rationally," she mused.

Dettol commands a substantial pricing premium of Rs 40 per 100 grams vs. Lifebuoy that is priced at just Rs 16 per 100 gram. Dettol has been a market leader in the health / germ-protection segment for years, as consumer perceive it to be more efficacious (i.e., antiseptic + medicinal) than other soaps that are available in the market.

Before the 1980s, customers used Dettol antiseptic liquid in their bath. At the start of the decade (1981), the company began offering Dettol in a more convenient form of a soap. The difference in category size between antiseptic liquids and soaps was always huge (Rs 7-8bn vs. Rs 200bn currently). So, Dettol could gain a meaningful part of the customer's wallet only via entering into mainstream soaps categories. However, its original selling proposition - Give your family the loving care of Dettol soap - did not really take off because the communication was 'mild and gentle skin care' which consumers couldn't really identify with Dettol. For most, the product was a hardcore antiseptic that burned like crazy when applied on wounds, but did a good job of protecting against infections. Consumer research revealed that people used Dettol soap specifically when faced with extremely dirty conditions. To balance communication between being a germicidal soap and a cosmetic soap, Dettol relaunched its soap with a new positioning – "Dettol protection comes to you and your family in the form of a soap for those daily occasions when a specially clean germicidal bath is necessary.

Evolution: Over time, Dettol launched many soap variants such as 'Dettol Skincare soap' in 2000, which, along with its trusted germ protection, had nourishing moisturisers for the skin. 'Dettol Cool' soap with menthol was launched specially for the summers and in line with the latest consumer fad, Dettol Aloe vera was launched in 2018. More recently, the company has launched the range called 'Dettol co-created with Moms' that has been marketed on a similar platform to the original brand of Dettol antiseptic soap – basically protection, but with the addition that is chemicals, dyes and talc free. However, nothing comes near the salience of Dettol Original, which commands a lion share. This is similar to the Santoor story – where orange variant contributes more than 90% of revenues despite launching many brand extension.

Nothing comes near the salience of Dettol Original, which commands a lion share

Dettol enjoys 'demigod status' in the medical world

Dettol's traditional white and green packaging gives a hospital-type feeling, given that doctors and support staff are usually in green attire, while patient infrastructure (beds, bedsheet) etc. is usually white. White colours and people associate its strong smell with 'antiseptic' and 'safe'. Medical shops signage in India is usually in the same colour schemes of green and white. Moreover, Dettol's signature 'shield' at the right hand of the soap's packaging to some extent reflects the plus sign that doctors generally have on their dispensaries and vehicles. Pranesh Misra, Chairman & MD, Brandscapes Worldwide, summed it up nicely in a media article in 2013: "A campaign we developed (in Lintas) way back in 1979 had the headline,

Dettol's aesthetics / packaging remind one of hospitals and make a huge difference

'who carries the sword that protects'. It highlighted how Dettol was trusted as much in the operating theatre as it was at home to keep the family safe."

Gaining market share from toilet / beauty soaps

Rival GCPL and Jyothy Labs' 1QFY21 financial results were broadly flat, despite increase in usage of soaps, while Dettol grew multi-fold. This clearly indicates Dettol has gained market share from these players; in fact, it is likely to have gained market share from premium brands as well. Karan Uppal, an Ahmedabad-based IT analyst told PhillipCapital analysts, "Our family has shifted from the Godrej No. 1 lime variant to Dettol; we don't want to take a risk and we believe that Dettol kills germs better than any other soaps." Ajit Deorurkar, a Pune-based RB distributor said, "The COVID-19 outbreak has led to a sharp surge in the sales of Dettol soaps, hand washes, and sanitizers. In Q1FY21, soaps and hand washes saw c.30% yoy growth, while sanitizers and antiseptic liquids grew +c.100%." He also said that when the response to Dettol's 'co-created with Moms' range was tepid; this range was launched with the USP of minimal additives and chemicals. It directly competes with HUL's Dove and Pears even though Dettol Moms is a Grade 2 toilet soap. But, now, due to supply-chain disruptions, the COVID-19 outbreak, and Dettol's strong brand equity in germ protection, customers have shifted to this range. Dettol's premium range is currently growing at 5x pre-COVID levels and customers of Dove and Pears have also shifted to this.

Dettol market share in southern markets has been historically low vs. the rest of India, as south India

Customers in the south have latched-on to the Dettol Moms premium variant (tulsi, jasmine) which is more benefit-based. RB sales officers plan to keep these newly converted consumers more engaged and turn them into a loyal base

consumers seek benefit-driven, ayurvedic/neem-based products. However, this trend has started to reverse due to the pandemic; customers in the south have latched-on to the Dettol Moms premium variant (tulsi, jasmine) which is more benefit-based. RB sales officers plan to keep these newly converted consumers more engaged and turn them into a loyal base.

The company's strategy of sustaining market share once the pandemic is over

- Conversion from Grade 3 soap to Grade 1: Making a quiet, but strong and bold move

Historically, although Dettol has enjoyed demigod status within the medical world, the fact is it is a Grade 3 soap (with lowest TFM content at 60-70%) and falls within the lowest quartile of Bureau of Indian Standards' quality paradigms. Dettol has achieved #1 position over the past 4-5 months due to the COVID-19 pandemic, as consumers turned to the brand they most trusted in terms of health and hygiene segment – Dettol. Reckitt's local management made a smart move in July 2020 to retain customers within Dettol's fold even after the pandemic is over – it converted Dettol soap from Grade 3 to Grade 1 (TFM >76%).

What are the advantages of this conversion?

1) Additional 7-8 baths, since the 'melt rate' is slower.
2) Strengthening the cleansing proposition, as TFM content and proper skin cleansing are directly co-related.
3) Lesser amount of fillers means soap is less harsh on skin.

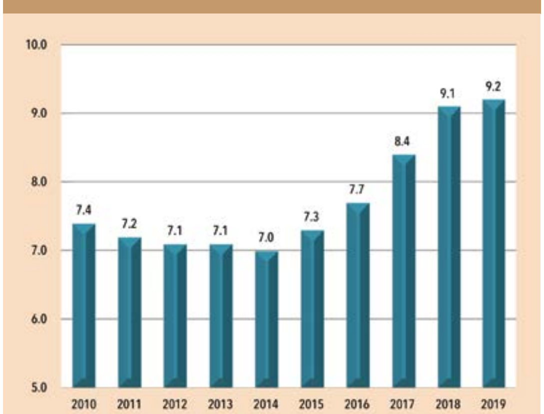
Although gross margins are likely to come under pressure due to this move (as the company has not increased pricing despite improving product quality significantly), the management seems confident of maintaining operating margins via higher volumes on based on market share gains and operating leverage.

Chemists' acceptance makes Dettol a standout among soaps

The chemists channel is not very receptive to keeping FMCG products, since these tend to be relatively low-margin and have lower value. Also, at times they occupy more space than more-profitable pharma products, making the proposition unattractive for chemists in space-crunched outlets. Terms of trade are different for the chemist channel – one has to offer higher margin or velocity of sales must be sufficient enough for the chemist to get attracted. Chemists store FMCG products if they are 'medicated' or if they come under high-end personal care. Dettol soaps get shelf space with chemists given its strong credentials of being a medicated soap (hence customers ask for it) – so the brand gets an additional edge for distribution via the chemist channel (not available to its soap peers).

Dettol soap get shelf space with chemists given its strong credentials of being a medicated soap

Market share of dettol on a constant upswing



Distribution expansion can be a big enabler for growth

Dettol is predominantly an urban brand (60-65% of sales are in cities), and as such, it has enough headroom available to grow in hinterlands. However, it might have to sacrifice margins a bit, as customers in villages tend to prefer low unit packs over a standard 100 grams pack.

Reckitt Benckiser, under its erstwhile CEO, Rakesh Kapoor, decided to bifurcate the company into two parts – health portfolio (anything applied to the body – Dettol, Moov, Itch-Guard, Dermi-Cool) and home and hygiene (Harpic, Lizol, and Mortein). It had decided to appoint separate distributors for these two businesses.. Although this kind of an arrangement might create short-term disruptions in the few geographies where it is yet to be implemented, in the longer term, it could be beneficial, as there would be more focus on driving sales of specific brands.

Savlon tried hard; but Dettol retaliated fiercely

After Johnson and Johnson acquired the Savlon brand from ICI and relaunched it in the early 1990s, the company marketed it as an antiseptic brand that did not cause pain, but this strategy backfired. While Savlon was as effective an antiseptic (if not more) as Dettol, its positioning – as an antiseptic that doesn't hurt while healing wounds and had a better aroma – did not really resonate with the Indian public. It was strongly entrenched in the Indian psyche that if it burns, only then is it doing its job (some of you are mentally nodding in agreement even as you read this, be honest!).

As Guru Philip Kotler puts it, marketing is easy to understand and difficult to practice. Dettol was a better storyteller – its packaging, advertising, and the colour of the liquid all endorsed its strong power as an antiseptic. Its story resonated more with the public who already believed that antiseptics that burned were most effective – how could they possibly work as well without burning just like bitter medicine is more effective than sweeter pills (this is the psychology). So Savlon, despite being a good product and great brand, failed.

When J&J launched Savlon, Dettol struck back! At the time, J&J used to derive meaningful revenue from its

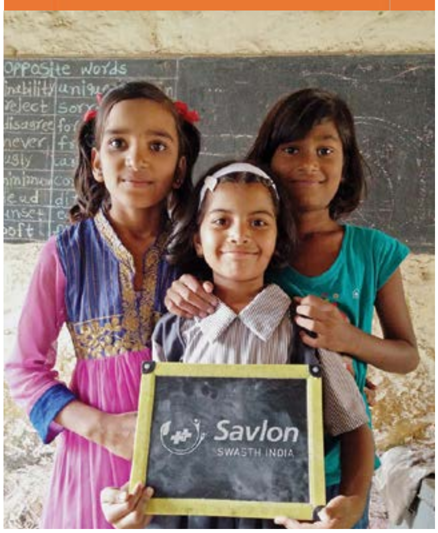
Band-Aid brand and Reckitt launched various extensions of Dettol in the band-aid segment to distract J&J's attention. The strategy worked – to protect its most profitable turf (Band-Aid) J&J eventually surrendered – it sold Savlon (along with its Shower to Shower prickly heat talc brand) to ITC in 2015.

Under ITC, Savlon 2.0 has already picked low-hanging fruits; difficult course ahead

ITC's Savlon has decided to focus its advertisement campaign on kids while Dettol prioritizes mother as the core target audience.

Savlon chalk-sticks campaign:

Hand washing in India is not always synonymous with soap as only 60% of Indian households used soap for washing hands, and the percentage drops to 50% in rural households. Even in 2019, as per the NSS data, less than 40% of Indian households washed hands with soap before eating. Armed with the social initiative of Healthy India, ITC Savlon had to increase the percentage of soap users in rural India, educate consumers, and change consumer behaviour. With soap bars costing about Rs 5 on an average, rural households considered it as an unnecessary expense. The resulting health problems had an impact on school dropouts. Savlon understood that to meet its goals, it would need to educate and inculcate the habit of correct hand washing right from childhood. It decided to look at innovative ways of instilling this new habit in children – that could be implemented in rural schools. However, the government schools in rural areas already suffer from insufficiency of funds, and hence, the solution needed to be not only simple, but also low cost.



Savlon understood that to meet its goals, it would need to educate and inculcate the habit of correct hand washing right from childhood

Ogilvy India was brought in to work on this project with Savlon, and it discovered a simple insight; in village schools, students don't have much access to notebooks and pencils – they tend to use chalk and slate, which leaves chalk residue on their hands. While they may not use soap, kids would use water to remove this chalk residue before eating their meals. From here, the idea of soap-infused chalk sticks was born! A simple innovation of mixing soap granules in chalk automatically made students develop the habit of washing their hands with soap. ITC has plugged low-hanging fruits via running its Chalk Sticks campaign whereby it saw market share gains in the handwash segment, while its overall handwash sales in FY17 grew 53% yoy. It has also increased distribution expansion, launched low unit packs, and introduced new variants, thereby gaining access to new customers segments and customers

Industry experts believe it will be next to impossible for Savlon to garner meaningful market share in the hyper-competitive soaps category

In the wake of COVID-19, Savlon has expanded the range further to body wash and disinfectant liquids, but industry experts believe it will be next to impossible for Savlon to garner meaningful market share in the hyper-competitive soaps category. Higher salience for Savlon's business comes from price-sensitive low-unit packs and that too in rural areas. As such, the COVID-19 pandemic might not benefit Savlon much since it is more of an urban phenomenon and purchase of Savlon soaps is likely to subside once there is adequate availability of health-based soaps.

The era of hand-washes and sanitizers has finally arrived

Hand washes and sanitisers are likely to become an integral part of people's lives in India

Handwashes: COVID-19 to drive A HUGE habit change

COVID-19 is likely to boost the demand for hand-washes as these are more hygienic (pump design) and easy to use. As per research firm Kantar Worldpanel, handwashes are now entering c.300,000 households every week for the past few weeks. Dettol and Lifebuoy continue to dominate the market with a combined market share of c.75%, but players such as Wipro Consumer Care (Santoor) are gearing up to gain more share.

Earlier, adult Indians used to wash their hands on only one occasions – after using the toilet. And kids, in addition the post-toilet wash, when they used to come back after playing or doing physical outdoor activities / sports etc. Consumer surveys suggest that the pandemic has created more frequent hand-washing occasions, which might sustain in the medium term. For example, people are washing their hands every time they come home, whenever they touch something that they have purchased or ordered (such as groceries / apparel /others) from e-commerce platform or from the market. Moreover, COVID-19 is driving the conversion of relaxed – infrequent users into permanent and frequent users of handwashes.

Wipro's Santoor has garnered high-single-digit market share in its strongholds (Maharashtra, Gujarat, Karnataka, and combined AP) in handwashes on its proposition of being softer on hands vs. competitors' products (which are perceived to be harsh on skin) and offering timely promotions to customers in modern trade.

Gross margins are higher for handwashes and sanitisers vs. bar soaps

	Body wash	Hand-wash	Hand Sanitizer
MRP	500	125	500
Less : Distribution margin	-75	-19	-75
Company's realisation	425	106	425
Less : COGS	-150	-32	-127
Gross profit	275	74	298
Gross margin (%)	65%	70%	70%

Consumer surveys suggest that the pandemic has created more frequent hand-washing occasions, which might sustain in the medium term

Sanitisers – the most expensive proposition

	MRP	ml/gm	Rs /00ml	Rs/kg or litre
Sanitizers	95	190	50	500
Handwash refill	45	175	26	257
Soap	22	125	18	176

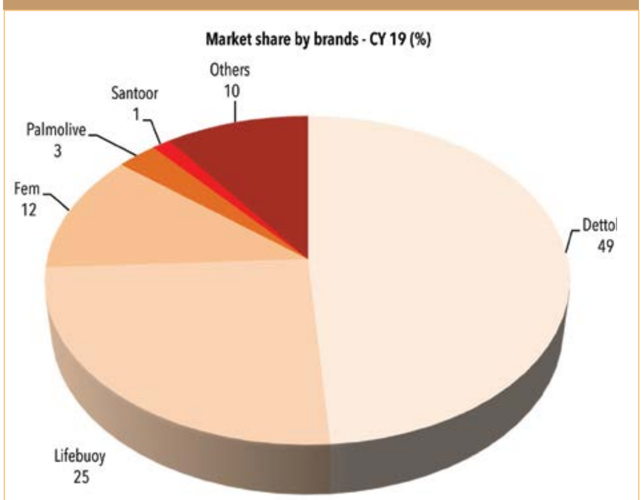
Majority of the consumers, especially in small towns, use leftover soap

Media reports suggest that the handwash market (current size Rs 10bn) is likely to triple - quadruple over the next three years due to the emergence of the post-covid handwashing habit. Dettol and Lifebuoy are likely to be key beneficiaries

Why hadn't the handwash market grown to its full potential?

Handwash, despite being present in India for many years, has been able to reach a market size of only Rs 10bn, mainly because it remains more of an urban-centric category and an under-penetrated one – at 10-15% penetration vs. soap at 100%. In India, most people still use leftover soap for washing hands. Price has been the biggest barrier towards adoption of handwash, with average price per unit at Rs 57 for hand washes vs. Rs 24 for soaps. Incrementally, 70% handwash consumers use refill packs – indicating their value-conscious nature.

Dettol continues to command the hygiene space



Source: PhillipCapital Estimates

The leftover soap users are likely to switch to full-fledged handwashes due to low-cost disruptive innovation (LPUs etc.), increased willingness of customers to adopt best in class better hygiene practices due to the pandemic, and gel-based handwashes providing higher efficacy, as they take lesser time and kill germs much better

Refocusing on the Dabur Fem brand in handwashes: Dabur Fem is the third-largest brand within the handwash segment – and this would be music to the ears for lot of investors. Dabur Fem has 10-11% market share due to its strong presence in the institutional channel (CSD, hospitals, etc.) and relatively better distribution reach in north and east India vs. competitors. Management highlighted that it is planning to focus on Fem and back it up with additional resources in order to drive revenue saliency for this brand. Before COVID-19, this brand did not receive much attention.

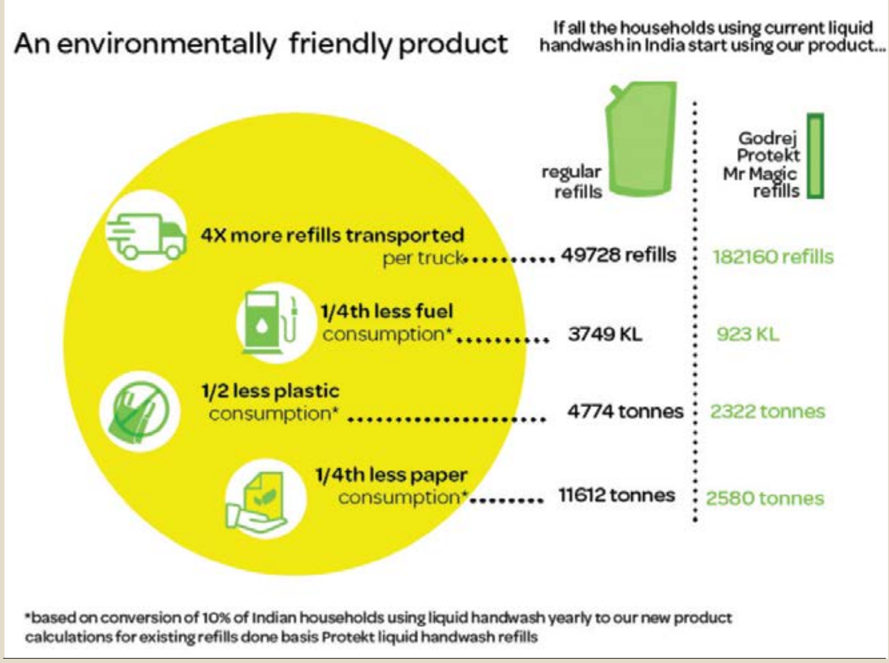
Incumbents such as HUL have decided to go aggressive on BOGO (Buy One Get One) offers and have cut prices of jodi (twin) pack (containing two bottle of 750ml each) refills to Rs 180 from Rs 240, so as not to offer any opportunity to "Tom Dick Harry" brands in gaining traction, in the wake of scarcity.

The handwash liquid powder experiment

– *GCPL's Mr Magic*

The product - disruptive innovation

- GCPL launched its powder-to-liquid handwash under the brand Mr Magic in 2018.
- It was targeted at the cost-conscious nature of Indian consumers, priced at Rs 15 per 200 ml, almost half the price of regular hand-washes.
- Seems to be a higher margin accretive product, given substantial savings in freight costs and packaging costs.



Powder has better proposition than liquid

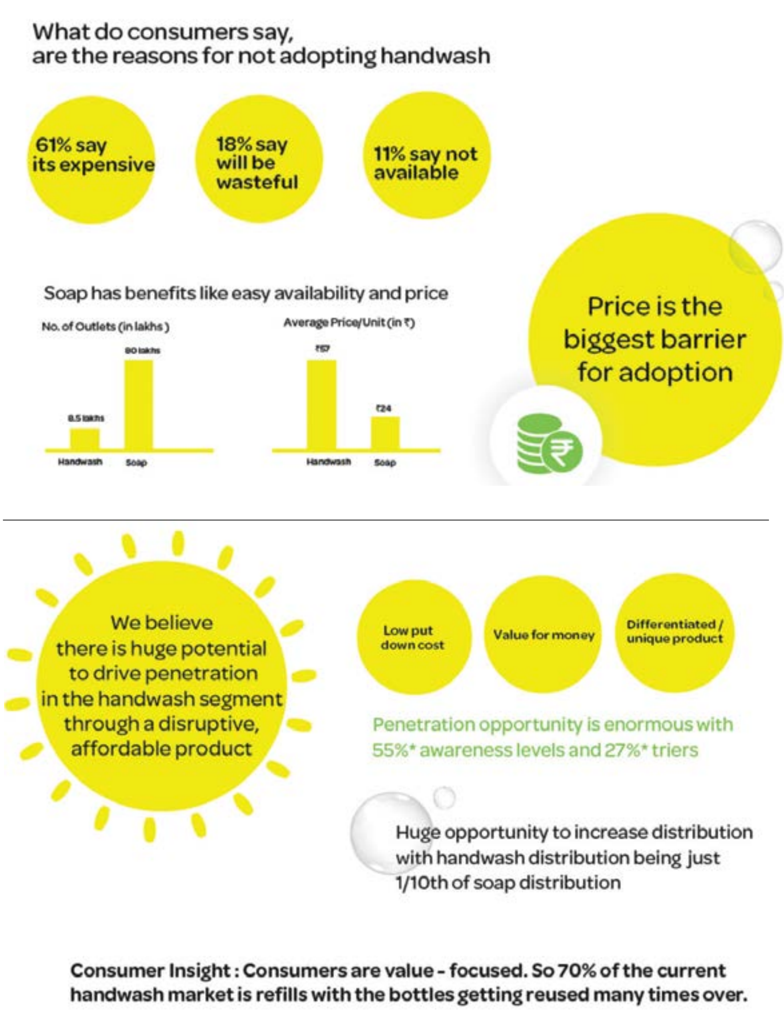
Why was it not a success?

Magic powder sales did not pick up despite the attractive proposition as it was perceived not to have good fragrance and higher water content than competitors, at least not until March 2020 (pandemic). Customers were used to the scented and thicker handwashes of mainstream brands Dettol and Lifebuoy, which they liked. Also, consumers believed thicker product led to lesser consumption.

- Consumers believed mainstream brands lasted longer than Mr Magic powder – thereby making the latter less attractive.
- Channel checks suggest non-availability of appropriate bottle size (200 ML) due to on-going China tensions/strict adherence of social distancing norms in factories is likely to create issues on the manufacturing front; so if customers mix this powder with more than required water, then the entire solution might become diluted.
- Customers looking purely at functionality (removing germs) could find this product attractive as it is available at half the cost on a per litre basis.
- If this value-disruptive innovation is successful amongst value-conscious customers, it can bring altogether new customers into the GCPL's fold.
- Covid-19 has provided the necessary momentum to make this a 'billionaire brand' for the company, as customers are looking at cost-effective solutions in the current economic downturn.

Ruturaj Jadeja, owner of a SME chemical unit, nicely summarises Mr Magic's flaws. He said that pre-mixed tea can never come near the quality of home-made tea. Since the ingredients of mainstream brands (Dettol, Lifebuoy) go through scientific and chemical processes, the finesse of the product will be top-notch vs. Magic powder. Riya Vora, a young fin-tech professional aired her grouse against the product. She said, "Apart from negligible fragrance, there is the additional burden of mixing powder with the bottle – this is not giving me the required value add."

Consumer survey by GCPL for liquid soaps



"Perception of liquid handwash being expensive is a major reason why many households are not adopting the category. We have always dreamt of a future where every home will be able to afford a liquid handwash. Mr. Magic, the first-ever powder-to-liquid handwash, is infused with natural ingredients like neem and aloe vera. With the germicidal properties of neem and the goodness of aloe vera, the product is soft on hands and tough on germs. Mr. Magic's disruptive pricing of Rs 15 will make it easy for Indian households across segments and geographies to adopt this innovative format for a hygienic lifestyle."

- Mr Sunil Kataria, CEO – India & SAARC, Godrej Consumer Products Limited (GCPL), in a media publication in 2018

Faulty product design can also create challenges: In the case of GCPL's full-fledged handwash brand, Godrej Protekt, consumer survey indicated that at times consumers found it difficult to locate the nozzle in the handwash bottle (see the picture). All four corners looked similar, with only a slight demarcation made on the side that would discharge the liquid. Consumers found this irritating as non-frequent users (guests, first time users) found it hard to use the dispenser. Experts suggest that a better solution would be to demarcate the nozzle from where the liquid would be dispensed clearly – with a differentiated colour.

Sanitisers – the category in the limelight

Hand sanitisers act as a best alternative to soap and hand washes when customers are on the go

Dabur Sanitize: Even though this brand was not very known in personal hygiene, it has garnered sales of Rs 900mn in 1QFY21

As health-and-hygiene became a top priority for customers, it led to explosive development and creation of adjacent categories such as hand sanitisers, disinfectants liquids, and vegetable cleaner. Hand sanitisers act as a best alternative to soap and hand washes when customers are on the go. After the Covid-19 outbreak, the sanitizers category quadrupled – from Rs 1.5bn in Feb 2020 it touched Rs 6bn in July 2020 – on the back of improved awareness towards personal hygiene and strong institutional demand.

Kishore Shah, a Mumbai-based FMCG distributor provided his inputs on this category: "Current Indian sanitiser market is divided into institutional and pocket. There is cut-throat competition in the institutional segment, as quality does not matter much and customers want bulk quantities. Customers prefer only blue-chip brands in the pocket sanitizers segment."

As per market-research firm Kantar Worldpanel, in February and July, almost +350 players entered the market – largely unorganised and smaller players that initially catered to overall demand till May 2020, but are now catering mainly to the institutional segment's demand. Some notable FMCG, paints, and alcohol companies also forayed into the highly cluttered sanitizer market, either on the back of CSR initiatives or because they had the advantage of backward integration (particularly alcohol and paint companies), as mainstream players such as HUL, RB, and Himalaya were not able to keep up with the sharp surge in demand. Pharma and sugar-cane companies leveraged their capacity (backend – factory or front-end – pharma-distribution since chemists were allowed to remain open during lockdowns). One of the largest sugar manufacturers in Sangli said, "As our by-products are used in various industries (personal care, automobiles) and these industrial units were closed due to pandemic, we decided to manufacture sanitizers on our own, given adequate availability of ethanol."

How are sanitisers manufactured?

The main ingredient for manufacturing sanitisers is alcohol, which ranges from 60-80%. This consist of ethanol and isopropyl alcohol in the range of 9:1. Ethanol is the major ingredient, so its sourcing becomes important. It is produced using molasses (from sugarcane) which is basically a thick black syrup left after the crystallisation of sugar. This is fermented using yeast in a distillery to form 'rectified spirit" which is further re-distilled to make Extra Neutral Alcohol (ENA) – a pure form of alcohol, used by manufacturers. However, when a 'bitterant' is added to rectified spirit, ethanol is formed, which is then mixed with isopropyl alcohol to form sanitisers – other ingredients used are hydrogen peroxide, glycerol, distilled water, and fragrance.

	Rs/ltr
Raw material	65
Processing charge	2
Packaging	8
Total Cost to manufacturer	75
Average selling price to stockist/ distributors	90
Transportation	50
Total cost to stockist/distributors	140
MRP	500

During the lockdown, driven by scarcity, consumers bought whatever sanitisers were available, but they will become choosier as availability increases

While demand may plateau, sanitisers are here to stay

While sanitiser demand has picked up in an unprecedented manner, it will undoubtedly stabilise at some level. Majority of the demand will come from pocket sanitisers, as the economy opens up, and consumers start moving around, finding it difficult to have access to water and soap all the time. Channel checks suggest that mainstream

Channel checks suggest that mainstream brands such as Dettol and Lifebuoy are back in the drivers' seat for sanitisers

brands such as Dettol and Lifebuoy are back in the drivers' seat for sanitisers, since they have increased their manufacturing capacity multi-fold, and consumers prefer these brands because they trust them.

Moreover, CPG companies are also looking to further enhance sanitiser opportunity via exploring adjacencies – for e.g., ITC has recently forayed into sanitizer wipes. The skin-friendly pH and soft textured fabric wipes can be effectively used on hands and other parts of the body. The innovative design makes it equally useful in cleaning frequently touched surfaces such as glass, marble, plastic, wood, and stainless steel — including table tops, door knobs, and

steering wheels — thereby making it an extremely convenient and easy-to-use multi-purpose product pack.

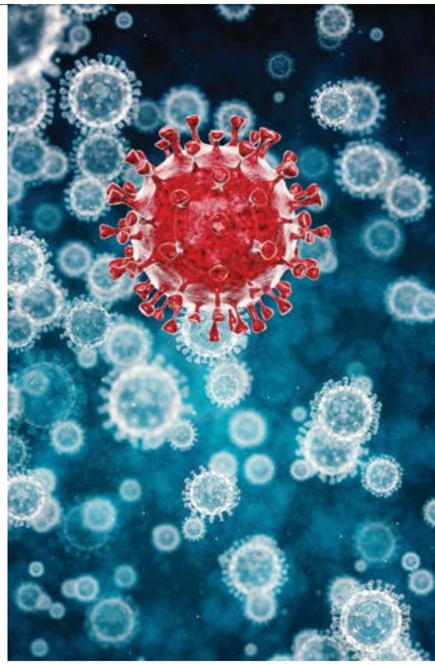
Savlon Germ Protection Wipes are available in peel-and-reseal packs of 10 wipes (Rs 45), and 72 wipes (Rs 185) across all retail channels.

Sameer Satpathy, Divisional Chief Executive, Personal Care, ITC, said to the media: "The initial demand spike may settle, but sanitisers are likely going to be a familiar part of post-pandemic life. As the lockdown eases, and businesses and public services begin functioning, staying sanitised may be the first — and possibly only — line of defence against contracting the virus." In order to increase availability, ITC launched the world's most economically priced hand sanitiser in a sachet format (50 paise) is an endeavour to ensure a wide access to hand hygiene.

WHAT'S AHEAD?

For now, it's all Covid-related

The future of soaps in India is entwined with the pandemic for now



COVID-19 has given a natural boost to health soaps

Covid-19 led to a huge surge in demand for germ-protection products – disinfectants, hand washes, soaps, and sanitizers. Most companies were quick to capitalise and react – not only did many launch health soaps, they also tweaked their brand advertising to highlight germ protection. Santoor, known for its younger-looking-skin proposition for the last 25 years, has started adding germ-protection in its advertising. Similarly, HUL's Dove and Pears have also tweaked their communication. Soap companies are trying to increase awareness about soaps and hand washing given the World Health Organisation (WHO)'s guidelines that say that soaps kill the Covid-19 virus – in turn promoting their products. Anil Chugh, President, Wipro Consumer Care said, "Santoor soap has taken this activity up in its communication. In general, inclination to use hygiene-related products has increased due to the pandemic, and this is true for soaps as well. This trend will continue as long as the covid fear is top-of-mind among the public."

Covid-19 has spurred growth in old and new hygiene categories

The soap industry's growth has historically been in line with the country's GDP growth, true for any almost 100% penetrated category. As such, strong local / regional incumbents, who are unlikely to vacate any market share gains to large players, given that they are agile and nimble-footed while protecting their ground. Therefore, healthy growth for this well-penetrated category can come via two sources – (1) increased usage of existing products, and (2) premiumization and increased usage of existing adjacencies. The pandemic has laid the perfect ground for these two factors. Increased awareness about maintaining personal hygiene have led to increase in the number of consumers for fast-growing and highly profitable categories such as handwash and hand-sanitizers, which remained a miniscule part of the overall personal-care revenue market despite having a strong use-case and even with years of advertising.

Santoor, known for its younger-looking-skin proposition for the last 25 years, has started adding germ-protection in its advertising

Growth revival in soaps / premiumization

The customers' transition journey from toilet soaps (Lux, Santoor) to premium beauty soaps (Pears, Dove) is going to be an arduous one, as they do not see any meaningful benefit in using premium soaps, apart from the seasonal benefits that they provide in the winter – such as moisturisation. The use-case is not that strong. Usage of higher-end soaps is likely to be more driven by macro factors that drive premiumization for any product category, i.e., increasing disposable income, urbanization (better availability of water) and change in consumer behaviour/aspirations. Health/hygiene-based soaps (such as Dettol and Lifebuoy) are likely to have a nice run, as people are currently in 'fear mode' perceive these soaps to be better than normal soaps (even if this is irrational). The fact is, any soap is capable of killing the virus.

Making hay while the sun shines – Godrej Protekt

Winston Churchill once said, "Never lets crisis go waste" and Godrej Consumer has made perfect use of a once in a lifetime opportunity by launching an array of health and hygiene products under its Protekt range – even extending it to the highly cluttered soaps segment. It has priced Protekt soap at a slight discount to Dettol soaps. "Godrej Protekt's purpose is to alleviate hygiene concerns of consumers with the personal and home hygiene range. We have become a complete hygiene-suite for home, kitchen and personal use. As a brand, Godrej Protekt aims to be Rs 500 crore (Rs 5bn) in the next three years," said Sunil Kataria, CEO - India and SAARC, GCPL. GCPL also started aggressively marketing its Cinthol Charcoal premium soap, which has solid cleansing properties..

An ex-GCPL employee has a differing opinion. He said, "GCPL has three brands – Godrej Protekt, Cinthol Health + and Cinthol Deodorant and Complexion – thereby spreading them too thin, and not getting meaningful traction out of this newly incubated habit of hygiene. Only Cinthol deodorant and complexion, which is known as a medicated soap in Tamil Nadu and Andhra Pradesh, is likely to do well – other variants are likely to fail."

SOURCE: Instagram

Initial signs of premiumisation in natural soaps segment

Covid has accomplished what years of advertising couldn't

The pandemic is a great example of how extraordinary circumstances can bring about what years of running advertisements and awareness campaign cannot. In this case – persuading consumers to take more care of their personal health and hygiene. COVID-19 is likely to have changed customer habits towards better hygiene, hopefully irreversibly, and will therefore increase consumption. Per-capita consumption of soaps is likely to increase, which in turn should benefit all soaps companies. However, companies with products positioned as anti-bacterial and germs-protection soaps are likely to benefit the most. Reckitt Benckizer (Dettol) and HUL (Lifebuoy) will see the maximum

The most iconic Lifebuoy "Roti Reminder" hand-wash campaign

Consumer product companies have used spiritual events (such as Kumbh Mela or festival-led gatherings) for driving sales of hygiene categories such as sanitizers due to the limited availability of water and the convenience factor in these large-scale gatherings.

Companies with products positioned as anti-bacterial and germs-protection soaps are likely to benefit the most. Reckitt Benckizer (Dettol) and HUL (Lifebuoy) will see the maximum benefit

benefit. Ayurvedic brands such as Medimix, Margo, and Hamam could also get a shot in the arm, because, they have been perceived to be medicinal soaps for ages. HUL's Lifebuoy, which was seeing muted growth since past few years, has been able to find a growth vector due to the pandemic. However, its Lux, a mass-end beauty soap continues to face its own set of challenges.

"Higher growth in the health segment may not happen at the cost of other segments, as overall there could be an increase in consumption," said Sunil Kataria, CEO, India and Saarc, Godrej Consumer, in a media article.

HUL and other companies' relentless ad campaigns to promote hygiene

In 2013, Hindustan Unilever's Lifebuoy partnered with more than 100 restaurants and cafés at the Kumbh Mela to raise awareness about proper hand-washing habits. For every food order placed, the first roti carried a message branded on it "Lifebuoy se haath dhoye kya? (did you wash your hands with Lifebuoy?)". The words were heat stamped onto the baked roti, without the use of ink, to ensure it was completely edible. It reminded people at the right time (just before having food) to wash their hands.

HUL has also been running the "Haath, mooh, aur bum – bimari hogi kam (focus on hands, mouth, and bottom will reduce disease)" campaign since 2015 to drive behavioural change amongst rural households. Given the scale of challenges that India faces in the areas of water, sanitation, and hygiene this programme was an effort to popularize the three practices for healthy living – washing hands five times a day with soap, adopting safe drinking water practices, and using a toilet for defecation and keeping it clean. It was a good way for HUL to popularize its Lifebuoy, Pure-it, and Domex brands. Similarly, Dettol was running its "Maa Maane Dettol ka dhula (loosely translates to mother only believes in Dettol wash)"

For HUL, the COVID-19 pandemic has provided a Eureka moment

campaign to drive a change in washing habits among customers.

Toothpaste companies have been advocating brushing at night (which in turn would drive category growth) but have struggled over the years despite running high-decibel advertisement campaigns to make consumers change habits. Unfortunately, consumer habits tend to be part of culture, and usually need to be imbibed right from the childhood. Similarly, Kellogs, which has been present for more than two decades in India has only been able to take a fraction of the Indian breakfast market, as Indians prefer traditional, hot and warm food for breakfast.

Health soaps will trump premium soaps only for a while

- Soaps might not face similar problems on the premiumisation front that toothpaste faced a few years ago when hit by the naturals wave. HUL's market share in soaps segment is declining, similar to how Colgate's did, as it does not have a strong naturals brand to combat consumer preference towards such products. In FY17-20, Colgate's premium products as a percentage of its total sales fell to just 4% vs. 8% 4-5 years ago, mainly due to the increasing popularity of natural products, which consumers perceived to have functional benefits and efficacy for minor dental problems. Naturals (which has low gross margin vs. traditional mint/gel-based toothpastes) products form 25% of the overall toothpaste market in India in FY20, up from 10-12% of the overall market in FY15-16.

HUL's market share in the soaps segment is declining (just like Colgate's did in toothpastes) as it does not have a strong naturals brand

- Premiumization trends towards beauty soaps might take a backseat for the time being, as customers are currently gung-ho about health soaps for their perceived germ-protection properties in a time of crisis.

- Economic crisis might lead to customers down-trading too. However, premium beauty soaps still have a solid use-case during winters and should make a roaring comeback soon as health based soaps are not suitable for the winter season – they are found to be harsh. There isn't likely to be permanent damage to premiumization trends, as seen in toothpaste category.

Beauty soaps still have a solid use-case during winters and should make a roaring comeback soon

More to come in premium health soaps

HUL: Lifebuoy has recently launched Lifebuoy 100 grams SKU for the first time in a box format – which makes it look bigger and premium. It is just a matter of time before HUL decides to make big-bang foray into the premium health segment. The recent integration of GSK consumer distribution with HUL, specifically with the chemist channel, will help to drive premiumization in HUL's health-soap segment.

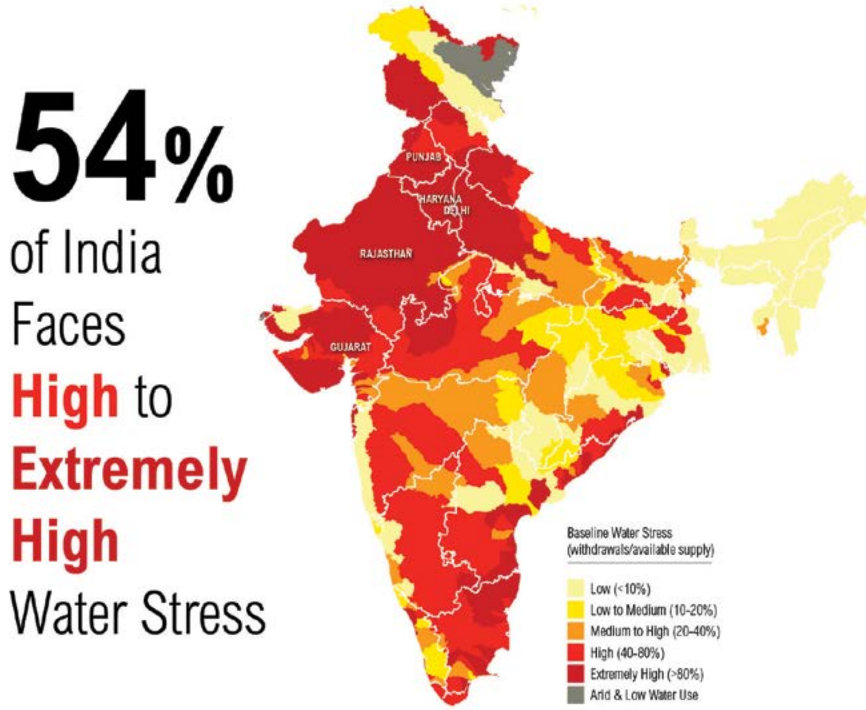
It is just a matter of time before HUL decides to make big-bang foray into the premium health segment

On the contrary, it has also cut the price of fast-moving jodi pack (4 packs of 125 grams each) Lifebuoy to Rs 80 from Rs 86, despite no respite in PFAD prices, clearly indicating its intent that it does not want to lose share at any cost. Its market share has declined to 11.2% in CY19 from 19% in CY10. It is looking for every possible opportunity to gain market share.

Reckitt: Its newly launched 'Dettol co-created with Mom' premium health brand, which was struggling, got a new lease of life due to the pandemic. Sales have grown more than 200%+ albeit on a low base. This brand proposed that it offers similar protection to the original Dettol anti-septic soap, but without chemicals, dyes, and talc. Mr Pankaj Duhan, CMO, RB Health, South Asia, while talking about the pricing strategy of the new brand range to the media, said that it is at a premium compared to the base brand. Depending on the size, SKUs of the category that it is in, it is at a 10-20% premium. "But we did not start on it with a cost target. We started with a product that will genuinely delight the consumer, to the millennial mom - and then we worked backwards from there.".

Hygiene and water availability

India is home to only 4% of the world's water resources, but more than 18% of its population. Not surprisingly, it is already a water-stressed country – confirmed by several studies over the past few years.



India: Water stress map
www.indiawatertool.in

WORLD RESOURCES INSTITUTE

According to the World Health Organisation (WHO), by 2025, over half of the world's population is expected to be living in water-stressed areas. Availability of fresh water is expected to be challenging in the future, driven by continued rise in world population. This, coupled with a drastic change in global climate has brought on droughts and floods. Statistics show that water usage has been increasing 1% a year on an average while availability has been falling every year.
As per NSSO (National Sample Survey Office) nearly c.80% of Indian households have access to only c.40 litres of water a day. The matters get worse for rural households - only c.20% have piped water supply.

In June 2018, a NITI Aayog (Indian government think-tank) study said that the country is suffering from the worst water crisis in its history:

- Nearly 600mn people (half of India's population) faces high to extreme water stress.
- 75% of India's households do not have drinking water on tap.
- 84% of rural households do not have piped water access
- 70% of India's water is contaminated
- India is ranked 120 among 122 countries in the Water Quality Index.

Start-ups and innovation

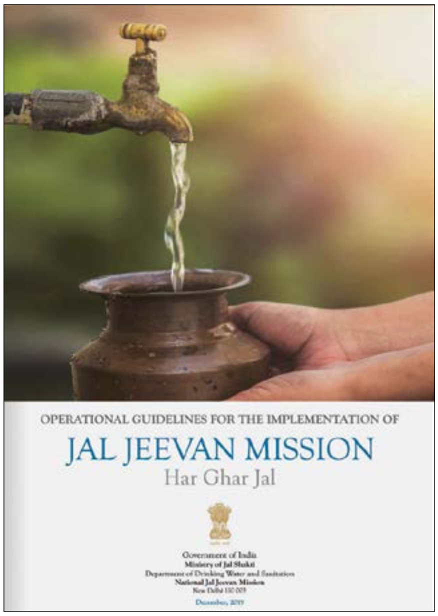
Start-ups have started working on soaps and personal-care solutions that need less water (such as easy rinse soap) – just like the developments in detergents. HUL launched path-breaking products in detergents that use lesser water such as Rinse Magic powder in water-starved Tamil Nadu. It launched a new RIN bar, which saves two bucket of water per wash.

Such innovation is needed in liquid body wash and soaps too. HUL, being the market leader, has taken up the mantle by launching one of the best campaigns "Start a little good with water conservation" which highlights saving water in every shower. This effort comes under HUF (Hindustan Unilever Foundation), a non-profit company that focuses on water conservation, community-based governance of water resources, and efficient use of water in agriculture. However, it has to move fast before this area catches the fancy of start-ups at a larger scale.

Bhavesh Jani, a soap manufacturer and R&D head of a start-up soap company said, "Knowing that there is no practical solution in the market for saving water during bathing, I am working on a soap that will require only half a bucket of water, while keeping the bathing experience unchanged. Due to this, two things will be achieved – one, better standards of personal hygiene, and two, perhaps more bathing occasions."

The government's role

Taking cognizance of this issue, the government has decided to provide drinking water to each household by 2024. The government has taken up the responsibility of providing clean drinking water to every household – for which it has formed a separate ministry. The general belief amongst Indian households is that the once the government achieves its target of providing clean drinking water, it will take up the issue of better availability of water to households.



Jaljeevan mission guidelines
SOURCE: https://jaljeevanmission.gov.in/

The Jal Jeevan Mission: This is a flagship programme of Prime Minister Narendra Modi, which aims to improve the lives of rural people by providing safe drinking water to every rural household through full household tap connections (FHTCs) by 2024. Implemented in partnership with states, the mission's aim is that rural household has assured availability of potable water at a service level of 55 litres per capita per day on a regular and long-term basis, to improve the lives of rural people.

Improved availability of water across India will lead to more bathing occasions, which might change the fortunes for the soaps industry. However, this seems to be distant dream as country faces many execution challenges. Gajendra Singh Shekhawat, Water Minister, Government of India said that under the Har Ghar Nal ka Jal Yojna (piped water in every household), Prime Minister Narendra Modi has pledged to cover all houses by 2024. Yogi Adityanath, UP's Chief Minister has sought to achieve this target by 2022 for his state.

CONCLUSION

- Consumer experts believe that personal wash is likely to gravitate from high-single-digits to low-teen revenue growth due to increased usage of soaps led by a change in habits; basically, more regular hand washing.
- The intensity of new product development and launches in premium health soaps will rise, as CPG companies run brand campaigns to monetise the opportunity created by the pandemic.
- Premiumization will also be driven via a shift in formats (from solids to liquids) in the form of increased adoption of hand sanitisers and handwashes.
- Winners: FMCG companies that have strong brands in the health and hygiene segment, direct distribution reach, back-end, sourcing capabilities and the ability to launch low unit packs; and they make an aggressive foray into adjacent categories.

INTERVIEW

To understand the current state of the contract manufacturing industry in India and challenges and opportunities that lie ahead, we spoke to Mr Vimal Solanki, Head of Emerging Businesses & Corporate Communications, Hindustan Foods Limited, which is India's most diversified (and one of the largest) FMCG contract manufacturer

In 2013, the Vanity Case Group bought a controlling stake in Hindustan Foods Limited (HFL), a listed company of the Dempo Group of Goa. HFL has diversified across various FMCG categories – with manufacturing competencies in food and non-food segments, extending to a wide range of categories including personal care, home care, food & beverages, leather shoes and accessories, and pest control. It currently has 11 plants across the length and breadth of the country with most facilities allocated to dedicated manufacturing (where an entire unit is exclusively utilised for one customer or brand). HFL also offers shared manufacturing for smaller companies and private label brands.

For about half a decade now, many mainstream companies are looking at contract manufacturing and presently, more companies are opting for this than ever. Why is this shift happening?

The primary value addition in any classic FMCG company happens in marketing and branding of products, not in the manufacturing of the product per se. The origin of contract manufacturing in the FMCG space can be traced decades back, but it has started gaining ground only in the past 8-10 years. With increased competition in the core businesses of FMCG companies, their managements have shown more inclination towards outsourcing of manufacturing, so that they can focus on brand building.

Post-independence, most FMCG in India fell under the 'luxury goods' category and therefore was not considered to be essential goods. Due to this, these goods attracted excise duties of almost 40% of the cost of manufacturing, since excise was based on MRP. The evolution of contract manufacturing in India has taken place in roughly four phases:

Phase 1 was in the 1980s; the Small Scale Industry (SSI) Reservations: Reservation of items for exclusive manufacturers in the SSI sector ensured the increased production of consumer goods in the small-scale sector. Tax exemptions for SSI aimed to provide certain relaxations to small-scale industries.

Phase 2 was in the 2000s; area-based reservations: The government announced that certain regions would receive tax exemptions. Companies setting up operations in these areas would enjoy dual benefits of indirect tax (excise duty) as well as direct tax (income tax) exemptions. So, most large FMCG companies set-up operations in these tax-exempt zones – such as Himachal Pradesh, Jammu & Kashmir, Assam, and Kutch.

Phase 3 is the present: Real growth in contract manufacturing has accelerated after the introduction of the GST Act in June 2017, as companies realized that setting up own plants do not make a viable option after the withdrawal of all the benefits given under erstwhile tax regime. In fact, the introduction of a consumption-based tax has given a fillip to decentralised manufacturing. Moreover, emergence of new-age distribution channels – e-commerce and modern trade – along with the country's improving infrastructure, have further helped in the migration of facilities from the fiscal benefit areas of Phase 2. Increased brand visibility and availability due to modern trade and e-commerce have led to smaller, independent brands, and digital native brands flourishing and thriving in the hyper-competitive and highly concentrated FMCG industry.

Phase 4 is the future: Contract manufacturing companies like HFL free FMCG companies from making huge capital commitments required for setting up manufacturing plants, thus making it a preferred choice for both the larger FMCG companies, as well as small enterprises, to smartly unlock their capital. FMCG companies can redeploy their freed-up capital for brand building and product awareness. HFL offers flexibility to digital, native, and e-commerce-driven brands that do not have the capital or the expertise to get into manufacturing on their own, thus enabling them to remain flexible and agile. Our company also takes charge of designing and development of products and packaging, in accordance with latest tastes and preferences.

How does HFL offer sustainable cost competitive advantages vis-à-vis other contract manufacturers?

HFL brings several advantages to the table. We are the only contract manufacturing company with factories spread across the country. Our knowhow is across product categories. Our expertise and experience ranges from project execution to licensing and capital budgeting, and product and packaging development.

Contract manufacturing is not just about low-cost product manufacturing, but more to do with intangible features such as consistency in product quality, maintaining confidentiality of product formulations and codes, preserving highest standard of ethics and integrity (so that there is no pilferage in distribution channels), and offering support services across the value chain. HFL has been able to offer the advantages of speed, scalability, width and diversification at no extra cost or commitment.

In categories like biscuits, extruded snacks, and water, which are freight intensive, do you think decentralised contract manufacturing works the best?

The characteristics and magnitude of a national mineral water or soft drinks brand necessitates it to be decentralised with multiple franchisee partners across the country. Companies may prefer to set up plants in areas where raw material is easily available, or closer to high concentration consumption points, since freight costs are high. Despite all odds, contract manufacturers with multiple facilities will always be in a beneficial position, given that we have scale advantage, particularly for freight-intensive categories. Incrementally, FMCG companies are looking for manufacturing facilities near consumption centres, particularly for their F&B categories, for quicker deliveries – so that product freshness and quality are not compromised.

While negotiating with a contract manufacturer, how does an FMCG company decide whether to go for a dedicated manufacturing facility or multi category / multi-customer facility?

It's a no brainer. It really depends on the lifecycle of a particular product. If it's an established brand or product operating in a mature category and enjoys a market leader's position, there is enough confidence in terms of long-term visibility and uninterrupted supply; here, the product manager is likely to opt for dedicated manufacturing. However, if it's a new product, or a product subject to seasonality vagaries, or one that operates in a category that encounters constant change in consumer taste and preferences, then FMCG companies are less likely to commit and will show higher preference for multi-product, multi-client manufacturing facilities.

Practically, is it possible for any FMCG company to outsource every product category? Or are there some categories that are difficult to outsource?

Operationally, it is possible to outsource any product category in the FMCG space. 'Apple' is a classic example. They outsource everything. They do not manufacture any single product in-house, focussing more on design and product attributes. However, in order to mitigate sourcing risk, FMCG companies like to keep certain production capacities in-house.

Private labels have not picked up in India meaningfully. As Mr Neville Noronha of Avenue Supermarts (DMart) emphasized – the vendor ecosystem is not strong enough to manufacture and deliver quality products consistently and continuously. What is your view on this?

Look, the DNA of FMCG and private labels (owned by retail chains) are very diverse. A retailer cannot become an FMCG company. A store brand (private label) cannot work as a mainstream brand, as it purely works on the basis of cost and availability, while high-street brands work on branding. Private labels work at their best if offered at a significant discount to leading brands and at the same time ensuring that they are of a reasonable quality – this means low-involvement product categories, not consumed or applied on human face or body, those that require minimum touch and feel (for instance toilet and floor cleaners).

The Indian private label industry, like the retail industry, is still evolving. After failed attempts to become FMCG companies, retailers are now beginning to look at private labels differently, and are making great headway in the low-involvement categories of products such as floor cleaners, toilet cleaners, kitchen and toilet rolls, some staples, etc.

In western countries, we have seen instances of a private label/brand achieving a critical threshold after which it is sold to FMCG companies that are properly aligned and have the right infrastructure to scale up their businesses.

Lot of digital brands are proliferating, but after a certain level, these brands reach saturation since they are not available in general trade - which is considered the backbone of India's distribution system. What can be done to scale up digital brands?

The covid-19 pandemic has helped digital brands to gain traction, as majority of consumers have started ordering online more frequently after their store visits were restricted. The digital medium has helped consumers to experiment with these products, which would have not happened in retail stores. While time will tell whether customers' loyalty to digital brands will sustain, national/mainstream brands are likely to lose market share across categories.

Incrementally, companies are looking at contract manufacturing to penetrate deeper into geographies and acquire new customers because low-unit-packs are margin dilutive for companies. In that context, how can contract manufacturing become more efficient?

Definitely, low-unit-packs are margin dilutive, but contract manufacturers are indifferent, as we work on a cost-plus model. Conversion cost tends to be higher in low-unit packs than in producing larger packs.

Annual Economic Indicators and Forecasts

Indicators	Units	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E	FY22E
Real GDP/GVA growth	%	5.4	6.1	7.2	8.0	8.0	6.6	6.0	3.9	-6-7	8-10
Agriculture	%	1.5	5.6	-0.2	0.6	6.8	5.9	2.4	4.0	4.2	3.5-4.0
Industry	%	4.5	4.2	8.1	11.9	8.4	6.8	4.5	0.8	-11.6	12-14
Services	%	7.0	6.9	9.0	8.6	8.1	7.8	7.7	6.4	-7.9	11-13
Real GDP	₹ Bn	85463	90636	97121	104919	113190	121042	128031	133011	123700	136070
Real GDP	US$ Bn	1571	1499	1588	1603	1687	1878	1844	1887	1672	1890
Nominal GDP	₹ Bn	99440	112335	124680	137719	153624	170950	189712	203398	184940	208104
Nominal GDP	US$ Bn	13.8	13.0	11.0	10.5	11.5	11.3	11.0	7.2	-9.1	12.5
WPI (Average)	%	1828	1858	2039	2104	2290	2652	2714	2885	2499	2890
CPI (Average)		10.2	9.5	6.4	4.9	4.5	3.6	3.4	4.7	4.5-5	3.3-3.7
Money Supply	%	13.6	13.5	12.0	10.3	7.3	9.6	10.6	10.5	'11-12	'11-12
CRR	%	4.00	4.00	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Repo rate	%	7.50	8.00	7.50	6.75	6.25	6.00	6.25	5.15	3.5-3.75	3.5-3.75
Reverse repo rate	%	6.50	7.00	6.50	5.75	5.75	5.75	6.00	4.90	3-3.15	3-3.15
Bank Deposit growth	%	14.2	14.6	12.1	9.7	11.2	6.2	9.6	9.5	'10-11	'11-12
Bank Credit growth	%	14.1	13.5	12.5	10.7	4.7	9.8	13.0	8.0	'6-7	'10-11
Centre Fiscal Deficit	₹ Bn	5209	5245	5107	5328	5356	5911	6344	7119	13316	8182
Centre Fiscal Deficit	% of GDP	5.2	4.6	4.1	3.9	3.5	3.5	3.4	3.5	8.0	4.0
State Fiscal Deficit	% of GDP	2.0	2.2	2.6	3.1	3.5	2.4	2.9	3.1	4.0	3.5
Consolidated Fiscal Deficit	% of GDP	6.9	7.1	6.6	7.0	7.0	5.9	6.3	6.6	12.0	7.5
Exports	US$ Bn	306.6	318.6	316.7	266.4	280.1	309.0	337.2	320.4	278.8	320.6
YoY Growth	%	-1.0	3.9	-0.6	-15.9	5.2	10.3	9.1	-5.0	-13.0	15.0
Imports	US$ Bn	502.2	466.2	460.9	396.4	392.6	469.0	517.5	477.9	358.5	430.1
YoY Growth	%	0.5	-7.2	-1.1	-14.0	-1.0	19.5	10.3	-7.6	-25.0	20.0
Trade Balance	US$ Bn	-195.6	-147.6	-144.2	-130.1	-112.4	-160.0	-180.3	-157.5	-79.7	-109.6
Net Invisibles	US$ Bn	107.5	115.2	116.2	107.9	97.1	111.3	123.0	132.8	106.9	115.0
Current Account Deficit	US$ Bn	-88.2	-32.4	-27.9	-22.2	-15.3	-48.7	-57.3	-24.7	27.2	5.4
CAD (% of GDP)	%	-4.7	-1.7	-1.4	-1.1	-0.7	-1.8	-2.1	-0.9	1.1	0.2
Capital Account Balance	US$ Bn	89.3	48.8	90.0	41.1	36.5	91.4	54.4	83.2	35.5	65.5
Dollar-Rupee (Average)		54.4	60.5	61.2	65.5	67.1	64.5	69.9	70.5	72-76	70-75

Source: RBI, CSO, CGA, Ministry of Agriculture, Ministry of commerce, Bloomberg, PhillipCapital India Research

Indian Economy – Trend Indicators

Monthly Economic Indicators

Growth Rates (%)	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
IIP	4.9	-1.4	-4.6	-6.6	2.1	0.4	2.2	5.2	-18.7	-57.3	-33.9	-15.8	-10.4	
PMI	52.5	51.4	51.4	50.6	51.2	52.7	55.3	54.5	51.8	27.4	30.8	47.2	46.0	52.0
Core sector	2.6	-0.2	-5.1	-5.5	0.7	3.1	2.2	6.4	-8.6	-37.9	-22.0	-12.9	-9.6	
WPI	1.2	1.2	0.3	0.0	0.6	2.8	3.5	2.3	0.4	-1.6	-3.4	-1.8	-0.6	0.2
CPI	3.1	3.3	4.0	4.6	5.5	7.4	7.6	6.6	5.8	7.2	6.3	6.2	6.7	6.7
Money Supply	10.6	9.9	9.7	10.6	9.8	10.4	11.2	10.2	8.8	10.7	11.7	12.3	13.2	12.6
Deposit	10.6	9.7	9.4	10.3	9.7	10.1	11.2	10.0	7.9	9.8	10.7	11.0	12.0	10.9
Credit	12.1	10.1	8.8	8.9	8.0	7.1	8.3	7.5	6.2	6.7	6.2	6.2	6.3	5.5
Exports	2.3	-6.5	-6.6	-1.1	-0.3	-1.8	-1.7	2.9	-34.6	-60.3	-36.5	-12.4	-10.2	-12.7
Imports	-10.4	-12.9	-13.8	-16.3	-12.7	-8.8	-0.8	2.5	-28.7	-58.6	-51.0	-47.6	-28.4	-26.0
Trade deficit (USD Bn)	-28.0	-22.7	-27.4	-38.9	-31.0	-22.4	0.8	1.3	-11.4	-55.9	-79.5	-105.2	-64.0	-51.2
Net FDI (USD Bn)	3.7	1.7	1.9	2.0	1.1	3.9	5.7	2.9	2.5	2.4	2.0	-0.8	3.3	
FII (USD Bn)	-0.7	-0.6	0.7	2.8	2.7	0.1	-0.1	1.1	-16.1	-1.0	-1.0	3.1	0.6	
ECB (USD Bn)	5.0	3.3	4.9	3.4	2.1	2.1	8.4	4.2	7.4	1.0	1.5	1.0	2.1	
Dollar-Rupee	68.8	71.2	71.4	71.1	71.5	71.2	71.3	71.5	74.4	76.2	75.7	75.7	75.0	74.6
FOREX Reserves (USD Bn)	429.6	428.6	433.6	442.6	451.1	457.5	471.3	481.5	475.6	479.5	493.5	506.8	534.6	537.5
NRI Deposits (USD Bn)	133.1	130.5	132.9	133.7	132.7	133.1	133.6	132.5	130.6	129.3	131.1	132.7	135.4	

Quarterly Economic Indicators

Balance of Payment (USD Bn)	Q4FY18	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Exports	82.2	83.4	83.4	83.1	87.4	82.7	80.0	81.2	76.5
Imports	123.8	129.1	133.4	132.4	122.6	129.5	119.6	117.3	111.6
Trade deficit	-41.6	-45.8	-50.0	-49.3	-35.2	-46.8	-39.6	-36.0	-35.0
Net Invisibles	28.6	29.9	31.0	31.5	30.6	31.8	32.1	33.4	35.6
CAD	-13.1	-15.8	-19.1	-17.8	-4.6	-15.0	-7.6	-2.6	0.6
CAD (% of GDP)	-1.8	-2.3	-2.9	-2.7	-0.7	-2.0	-0.9	-0.2	0.1
Capital Account	25.0	4.8	16.6	13.8	19.2	28.6	13.6	23.6	17.4
BoP	13.2	-11.3	-1.9	-4.3	14.2	14.0	5.1	21.6	18.8

GDP and its Components (YoY, %)	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Agriculture & allied activities	3.8	2.5	2.0	1.6	3.0	3.5	3.6	5.9	3.4
Industry	7.8	4.7	4.4	1.4	3.8	-0.2	-0.4	0.0	-33.8
Mining & Quarrying	-7.3	-7.0	-4.4	-4.8	4.7	-1.1	2.2	5.2	-23.3
Manufacturing	10.7	5.6	5.2	2.1	3.0	-0.6	-0.8	-1.4	-39.3
Electricity, Gas & Water Supply	7.9	9.9	9.5	5.5	8.8	3.9	-0.7	4.5	-7.0
Services	7.3	7.2	7.3	8.3	5.5	6.1	4.9	3.5	-24.3
Construction	6.4	5.2	6.6	6.0	5.2	2.6	0.0	-2.2	-50.3
Trade, Hotel, Transport and Communications	8.5	7.8	7.8	6.9	3.5	4.1	4.3	2.6	-47.0
Finance, Insurance, Real-Estate & Business Services	6.0	6.5	6.5	8.7	6.0	6.0	3.3	2.4	-5.3
Community, Social & Personal Services	8.8	8.9	8.1	11.6	7.7	10.9	10.9	10.1	-10.3
GDP at FC	6.9	6.1	5.6	5.6	4.8	4.3	3.5	3.0	-22.8

NOTES

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	**Sector**	**₹**	**₹ bn**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**
Maruti Suzuki	Automobiles	7,058	2,132	6,48,197	8,35,266	56,495	1,07,704	43,017	83,420	142	276	-25.5	94	49.6	25.6	4.3	3.9	37.1	19.0	8.7	15.2	8.1	14.8
Bajaj Auto	Automobiles	2,934	849	2,60,422	2,99,184	39,186	49,790	40,465	49,188	140	170	-20.7	22	21.0	17.3	3.8	3.3	21.5	16.9	18.2	19.4	18.5	20.0
Mahindra & Mahindra	Automobiles	615	764	4,25,022	4,93,995	55,370	69,634	32,714	44,469	27	37	-7.9	36	22.4	16.5	2.0	1.8	13.3	10.2	8.9	11.2	7.8	10.0
Tata Motors	Automobiles	148	488	24,86,942	29,62,961	2,16,864	3,56,169	-35,358	56,889	-11	18	-70.7	-261	-12.9	8.0	0.8	0.7	7.2	4.9	-6.0	8.9	-0.7	3.0
Hero MotoCorp	Automobiles	3,031	606	2,68,960	3,47,680	35,876	53,074	28,023	41,575	140	208	-5.2	48	21.6	14.6	3.9	3.5	16.8	11.2	18.3	23.8	17.8	23.8
Ashok Leyland	Automobiles	75	221	1,44,226	2,03,060	4,423	18,939	-1,757	8,938	-1	3	-144.4	-609	-125.6	24.7	4.3	4.4	56.3	12.9	-3.4	17.8	-1.1	10.8
Bharat Forge	Automobiles	478	223	65,602	90,009	6,780	17,558	987	8,894	2	19	-77.0	802	225.8	25.0	4.3	3.8	37.6	14.6	1.9	15.1	2.2	10.0
Apollo Tyre	Automobiles	129	74	1,56,690	1,72,737	21,075	24,111	4,146	6,284	7	11	-13.0	52	17.8	11.7	0.7	0.7	5.9	4.9	4.0	5.8	3.4	4.2
Escorts	Automobiles	1,222	165	62,910	72,232	7,783	9,626	5,761	7,185	48	60	16.4	25	25.3	20.3	3.6	3.1	20.6	16.1	14.3	15.2	14.5	15.6
Ceat	Automobiles	960	38.8	62,921	70,890	5,929	8,110	1,161	2,673	29	66	-55.3	130	33.5	14.5	1.3	1.2	10.2	7.6	3.9	8.4	5.3	7.7
Hindustan Unilever	FMCG	2,121	4,983	4,30,662	5,00,209	1,17,669	1,41,923	84,515	1,02,242	36	44	12.0	21	59.0	48.7	10.5	10.1	41.5	34.2	17.8	20.7	28.4	20.3
ITC	FMCG	181	2,229	4,32,059	4,87,752	1,61,616	1,94,947	1,31,150	1,57,709	11	13	-14.1	20	16.9	14.1	3.3	3.2	13.3	11.0	19.7	22.9	19.5	22.6
Nestle	FMCG	16,080	1,550	1,31,381	1,47,276	31,321	36,123	21,059	24,698	218	256	5.9	17	73.6	62.8	59.8	45.9	48.9	42.1	81.2	73.2	42.8	42.0
Dabur India	FMCG	500	884	86,478	97,293	18,732	21,378	15,663	17,969	9	10	1.2	15	56.4	49.2	12.0	10.7	46.6	40.5	21.2	21.7	21.5	22.2
Godrej Consumer Products	FMCG	706	722	98,767	1,10,632	22,422	25,869	15,192	18,017	15	18	-3.7	19	47.5	40.1	8.6	8.0	32.8	28.3	18.1	20.1	16.2	17.8
Britannia	FMCG	3,743	901	1,33,208	1,42,167	25,241	26,448	19,036	19,988	79	83	34.1	5	47.3	45.0	15.6	12.6	35.7	33.7	32.9	28.1	33.7	28.8
Marico Industries	FMCG	366	473	72,835	80,410	15,408	17,020	10,886	12,118	8	9	3.7	11	43.4	39.0	13.2	11.9	30.0	27.0	30.4	30.6	32.8	32.9
Colgate	FMCG	1,411	384	46,569	50,712	13,480	14,744	8,805	9,687	32	36	7.8	10	43.6	39.6	22.1	20.3	28.0	25.4	50.6	51.2	49.2	49.9
Glaxo Smithkline Consumer	FMCG	1,556	78	57,870	n.a.	17,872	n.a.	-	-	-	-							4.4		-	-	-	-
Emami	FMCG	401	178	25,243	29,391	6,779	7,952	3,707	4,632	8	10	20.7	25	48.1	38.5	7.8	7.2	25.4	21.4	16.2	18.7	17.1	19.7
Bajaj Corp	FMCG	186	28	7,963	8,605	2,212	2,403	2,085	2,271	14	15	12.8	9	13.2	12.1	3.4	2.8	11.0	9.3	26.0	22.7	28.6	24.8
Agro Tech Foods	FMCG	719	17.5	8,861	9,736	702	909	378	528	15	22	11.3	40	46.4	33.2	4.0	3.6	24.5	18.5	8.6	10.9	9.1	11.5
Titan Company	Retail	1,183	1,051	1,54,075	2,35,997	13,038	28,596	7,388	18,866	8	21	-51.3	155	142.1	55.7	15.1	12.9	79.8	36.2	10.6	23.2	10.2	22.1
Jubilant Foodworks	Retail	2,363	312	33,846	46,509	3,789	8,030	1,939	5,145	15	39	-50.0	165	160.7	60.6	18.5	15.2	80.4	37.6	11.5	25.0	11.4	26.4
Trent*	Retail	735	261	26,285	43,560	1,796	6,751	-1,632	2,007									157.7	42.5	-7.5	8.6	2.1	8.6

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	**Sector**	**₹**	**₹ bn**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**	**FY20E**	**FY21E**
ABFRL*	Retail	134	110	58,041	92,112	4,550	13,994	-3,682	935									34.1	11.2	-21.9	4.6	0.5	7.7
FLFL*	Retail	98	20	36,602	46,969	5,129	7,346	-2,453	-1,408									8.3	6.1	-20.7	-13.5	0.7	4.2
V-Mart*	Retail	2,158	39	10,732	19,035	1,133	2,808	-221	953									37.7	15.3	-5.1	18.1	3.3	15.2
Shoppers Stop*	Retail	177	16	19,763	31,433	2,354	5,816	-1,289	257									15.4	5.8	-	95.9	4.3	13.1
Thangamayil	Retail	379	5	15,808	20,708	885	1,107	432	592	32	43	-5.3	37	12.0	8.8	2.0	1.7	6.2	4.9	16.4	19.0	14.2	15.7
KDDL	Retail	161	1.9	4,875	6,370	475	918	-225	127	-19	11	3,655.0	-156	-8.3	14.8	1.2	1.1	7.0	3.5	-14.4	7.6	-1.6	6.3
Asian Paints	Paints/Tiles	2,018	1,935	1,70,576	2,14,866	32,886	44,926	19,754	28,737	21	30	-27.1	45	98.0	67.3	17.7	16.0	58.2	42.5	18.0	23.7	18.3	23.8
Kajaria Ceramics	Paints/Tiles	507	81	23,657	29,138	3,169	4,443	1,555	2,560	10	16	-39.1	65	51.9	31.5	4.4	4.0	24.5	17.5	8.5	12.8	8.8	12.7
Somany Ceramics	Paints/Tiles	172	10.6	12,932	16,638	790	1,338	24	401	1	9	-93.2	1,597	308.5	18.2	1.2	1.1	18.8	11.2	0.4	6.1	3.7	6.8
Havells India	Con Electricals	668	418	91,030	1,10,500	8,966	12,576	5,512	8,388	9	13	-24.8	52	75.8	49.8	9.4	8.6	46.3	33.2	12.4	17.4	11.3	16.2
Voltas	Con Electricals	681	225	64,182	83,720	4,777	7,528	3,951	6,437	12	19	-31.9	63	57.1	35.0	5.0	4.5	47.3	30.0	8.8	12.8	10.1	13.8
Polycab	Con Electricals	897	134	82,922	96,037	8,085	10,795	5,256	7,447	35	50	-32.0	42	25.4	17.9	3.2	2.8	16.2	12.2	12.6	15.8	13.2	16.4
V-Guard Industries	Con Electricals	175	75	24,362	27,591	2,375	2,941	1,718	2,130	4	5	-7.2	24	43.7	35.2	6.7	5.8	31.1	25.2	15.2	16.5	15.7	17.1
Finolex Cables	Con Electricals	295	45	1,973	22,016	-18,344	-4,177	-18,424	-4,228	-120	-28	-557.8	-77	-2.5	-10.7	1.6	1.4	-1.9	-8.4	-64.6	-13.4	-64.8	-13.8
KEI Industries	Con Electricals	381	34	50,699	59,461	4,642	6,201	2,300	4,655	29	59	-9.8	102	13.0	6.4	1.7	1.5	7.7	5.9	13.4	22.7	15.5	23.4
Bajaj Electricals	Con Electricals	498	57	48,636	55,158	2,032	3,326	781	1,905	8	19		144	64.6	26.5	3.5	3.2	30.4	18.3	5.4	12.0	5.7	10.7
Indo Count Industries	Consumer-Others	93	18.4	16,545	19,265	1,133	1,971	355	921	2	5	-79.3	160	51.8	19.9	1.9	1.8	18.6	10.5	3.7	8.8	5.4	9.3
HDFC Bank	Banks	1,066	5,867	6,15,938	7,21,591	5,12,257	5,92,312	2,79,633	3,44,641	51	63	6.5	23	20.9	17.0	3.0	2.6	11.5	9.9	15.2	16.3	1.8	1.9
ICICI Bank	Banks	370	2,549	3,55,971	4,00,371	3,05,918	2,95,632	1,11,013	1,39,015	16	20	31.6	25	22.9	18.3	1.8	1.7	8.3	8.6	8.6	9.4	1.0	1.2
Kotak Mahindra Bank	Banks	1,305	2,581	1,51,511	1,75,595	1,16,736	1,35,729	65,422	87,801	34	44	8.0	32	38.7	29.4	4.1	3.6	22.1	19.0	11.7	13.1	1.7	2.0
State Bank of India	Banks	199	1,775	10,66,717	11,55,319	7,00,526	6,19,890	1,60,620	2,42,577	18	27	10.9	51	11.0	7.3	0.8	0.7	2.5	2.9	7.5	10.4	0.4	0.6
AXIS Bank	Banks	443	1,354	2,68,516	3,11,450	2,01,692	2,28,879	37,747	92,081	13	32	130.8	143	33.2	13.7	1.4	1.3	6.7	5.9	4.4	10.1	0.4	1.0
Indusind Bank	Banks	616	428	1,28,344	1,41,838	1,01,655	1,08,456	36,825	47,339	49	61	-23.6	26	12.7	10.0	1.1	1.0	4.2	3.9	9.7	10.7	1.2	1.4
Bank of Baroda	Banks	46	213	2,81,116	3,06,521	1,80,256	1,87,392	8,510	40,375	2	9	55.9	374	25.1	5.3	0.3	0.3	1.2	1.1	1.3	6.0	0.1	0.3
DCB Bank	Banks	89	28	12,897	14,576	7,613	8,394	2,822	4,028	9	13	-16.5	43	9.8	6.8	0.7	0.7	3.6	3.3	7.9	10.2	0.7	1.0

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Canara Bank	**Banks**	**₹**	**₹ bn**	**143.7**	**175.9**	**109.6**	**129.6**	**19.0**	**32.3**	**17**	**29**	**271.2**	**70.6**	**8.4**	**4.9**	**0.4**	**0.4**	**1.4**	**1.2**	**5.6**	**8.2**	**0.3**	**0.4**
HDFC Limited	NBFC	1,764	3,164	1,40,251	1,57,500	1,37,905	1,55,867	98,870	1,21,812	55	68	31.3	23	31.9	25.9	3.0	2.8	22.9	20.3	11.0	12.5	1.6	2.0
Muthoot Finance	NBFC	1,123	450	71,880	80,143	49,666	55,120	34,282	38,013	34,282	38,013	8.2	11	0.0	0.0	13.1	11.8	9.1	8.2	5.8	5.8	-	-
Shriram Transport Finance	NBFC	650	164	82,347	87,763	64,102	68,188	22,199	30,820	88	122	-20.5	39	7.4	5.3	0.8	0.7	2.6	2.4	11.4	14.0	-	-
Cholamandalam Investment and Finance	NBFC	233	191	42,149	48,384	27,883	32,913	12,105	14,725	15	18	10.4	22	15.8	13.0	2.1	1.8	6.8	5.8	13.9	14.9	-	-
LIC Housing Finance	NBFC	302	152	45,295	48,378	39,082	41,469	19,828	24,617	39	49	-17.4	24	7.7	6.2	0.8	0.7	3.9	3.7	10.5	11.9	0.9	1.1
Mahindra & Mahindra Finance	NBFC	138	171	52,201	57,967	36,578	40,619	9,133	11,848	7	10	0.8	30	18.6	14.4	1.1	1.1	4.7	4.2	6.9	7.6	-	-
Manappuram Finance	NBFC	158	134	21,382	21,814	24,598	29,103	15,148	18,170	18	22	2.3	20	8.8	7.4	1.9	1.6	5.4	4.6	23.8	23.4	-	-
Indiabulls Housing Finance	NBFC	187	80	62,847	-	60,488	-	42,560	206	100	-	29.3	-100	1.9		0.4		1.3		22.1	-	2.9	-
Shriram City Union Finance	NBFC	1,000	66	35,314	36,016	22,802	23,703	8,418	9,665	128	146	-15.9	15	7.8	6.8	0.8	0.8	2.9	2.8	11.2	11.7	-	-
Repco Home Finance	NBFC	180	11	5,377	6,051	4,567	5,148	3,166	3,517	51	56	4.3	11	3.6	3.2	0.5	0.5	2.5	2.2	16.1	15.5	2.5	2.4
Magma Fincorp	NBFC	38	10	11,579	12,037	5,642	6,218	872	2,191	3	8	7.7	151	11.6	4.6	0.4	0.3	1.8	1.6	3.2	7.7	-	-
Hindustan Zinc	Metals	225	950	1,67,643	2,00,005	75,080	96,879	49,095	62,102	12	15	-27.9	26	19.4	15.3	3.2	3.3	11.0	8.5	16.6	21.9	13.0	19.5
JSW Steel	Metals	293	708	7,04,600	8,66,197	1,12,754	1,53,574	17,612	41,455	7	17	-62.7	135	39.9	17.0	1.9	1.7	11.1	8.3	4.7	10.1	7.4	10.4
Vedanta	Metals	130	483	7,46,278	8,51,381	1,42,717	1,90,945	7,409	33,567	2	9	-93.1	353	65.2	14.4	0.9	0.9	6.3	4.4	1.4	6.2	1.6	4.3
Tata Steel	Metals	407	464	12,30,372	14,12,933	1,43,401	2,16,163	-6,291	53,598	-5	47	-109.7	-952	-74.1	8.7	0.7	0.6	9.9	6.3	-0.9	7.1	3.8	6.9
Hindalco	Metals	178	400	10,87,999	12,55,969	1,13,439	1,42,009	23,508	43,980	11	20	-41.9	87	16.8	9.0	0.7	0.6	7.4	5.9	3.9	6.9	4.8	6.3
NMDC	Metals	89	273	82,289	1,10,009	37,803	56,843	28,814	42,929	9	14	-22.1	49	9.5	6.4	1.0	0.9	6.7	4.4	10.1	13.8	10.0	14.0
Jindal Steel & power	Metals	208	212	3,59,752	4,17,672	72,352	90,704	-8,556	6,156	-8	6	-	-172	-24.8	34.4	0.7	0.7	7.5	5.5	-2.7	1.9	4.1	6.2
SAIL	Metals	39	161	5,69,951	6,64,188	44,755	87,544	-14,126	17,200	-3	4	-148.8	-222	-11.4	9.4	0.4	0.4	14.7	7.3	-3.5	4.0	2.5	6.3
NALCO	Metals	34	64	77,021	88,022	3,280	9,093	256	4,386	0	2	-81.5	1,616	250.7	14.6	0.7	0.7	14.0	5.5	0.3	4.6	0.3	3.8
Pennar Inds.	Metals	17	2	16,530	20,983	877	1,657	-156	415	-1	3	-129.6	-367	-15.3	5.7	0.4	0.3	7.6	4.2	-2.3	6.0	3.3	9.7
Larsen & Toubro	Cap Goods	903	1,268	14,07,112	16,13,817	1,50,052	1,85,033	65,501	90,018	47	64	-31.5	37	19.4	14.1	1.7	1.6	16.8	13.4	8.8	11.0	5.1	6.0
Siemens	Cap Goods	1,248	444	1,10,243	1,35,087	8,998	13,737	6,527	9,587	18	27	-45.0	47	68.1	46.3	4.7	4.4	44.8	30.5	6.9	9.4	6.5	9.0
ABB India	Cap Goods	918	195	60,085	70,300	2,045	5,174	1,578	3,804	7	18	-58.6	141	123.2	51.1	5.4	5.1	86.5	33.8	4.4	9.9	5.4	9.7
Bharat Electronics	Cap Goods	105	256	1,34,814	1,53,771	20,137	32,004	12,524	21,014	5	9	-30.2	68	20.4	12.2	2.5	2.2	12.5	7.5	12.1	17.7	10.7	16.4

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
BHEL	Cap Goods	36	126	2,52,879	3,03,609	9,647	23,568	2,540	13,653	1	4	-149.2	437	49.8	9.3	0.4	0.4	12.1	2.7	0.9	4.5	1.4	3.9
Cummins India	Cap Goods	480	133	49,466	55,191	5,854	7,178	5,470	6,465	20	23	-13.1	18	24.3	20.6	3.1	2.9	22.7	18.4	12.6	14.2	11.1	12.7
Thermax	Cap Goods	767	91	50,617	57,211	3,243	4,292	2,208	3,093	19	26	-21.8	40	41.4	29.6	2.9	2.7	26.5	19.6	7.0	9.0	6.6	8.6
KEC International	Cap Goods	355	91	1,09,183	1,31,314	9,675	12,726	3,773	5,851	15	23	-36.3	55	24.2	15.6	2.9	2.5	12.0	9.1	11.9	15.9	9.9	12.3
Kalpataru power	Cap Goods	270	41	1,10,423	1,26,076	12,313	12,953	2,857	2,954	19	20	-37.3	3	13.9	13.5	1.0	1.0	5.6	4.5	7.4	7.3	8.1	8.6
Engineers India	Cap Goods	69	44	26,704	31,857	3,343	4,501	4,001	4,790	6	8	-18.2	20	10.9	9.1	1.7	1.6	5.1	3.4	16.1	17.9	18.7	20.8
Bharat Dynamics	Cap Goods	315	58	25,659	27,830	4,981	5,534	3,958	4,558	22	25	-26.0	15	14.6	12.7	2.0	1.8	7.1	6.6	13.9	14.5	13.2	14.0
Cochin Shipyard	Cap Goods	342	45	31,778	38,804	6,412	7,356	5,181	5,514	39	42	-18.8	6	8.7	8.2	1.1	1.0	4.4	5.0	12.8	12.4	12.7	12.4
GE T&D	Cap Goods	102	26	25,155	35,570	3	2,014	-953	762	-4	3	-30.7	-180	-27.5	34.4	2.8	2.7	-	13.2	-10.2	7.8	-4.4	10.1
Praj Inds.	Cap Goods	70	13	9,799	11,329	516	959	415	729	2	4	-38.0	76	30.8	17.5	1.8	1.7	24.2	13.0	5.7	9.5	5.9	9.8
VA Tech Wabag	Cap Goods	208	11	25,022	30,026	1,765	2,388	565	1,006	10	18	-42.3	78	20.1	11.3	0.9	0.9	8.7	5.7	4.7	7.8	4.8	6.6
Ultratech Cement	Cement	3,928	1,134	4,11,219	5,22,075	83,883	1,14,839	31,649	54,359	110	188	-45.5	72	35.8	20.9	2.7	2.4	14.9	10.3	7.6	11.6	6.4	9.8
Shree Cement	Cement	19,916	719	1,27,320	1,67,294	29,997	41,670	14,481	22,692	401	629	-6.2	57	49.6	31.7	5.0	4.4	22.3	15.8	10.1	13.9	9.4	13.6
Ambuja Cement	Cement	216	429	2,31,789	2,80,052	33,615	41,899	12,519	17,350	6	9	-40.2	39	34.3	24.7	1.7	1.6	10.9	8.5	5.0	6.5	6.0	7.1
ACC	Cement	1,381	260	1,27,998	1,58,821	17,511	21,847	10,033	12,572	53	67	-27.2	25	25.9	20.7	2.1	2.0	12.1	10.0	8.1	9.5	7.8	9.0
Dalmia Bharat	Cement	757	142	97,221	1,28,533	17,360	23,725	801	5,515	4	29	-64.3	589	182.1	26.4	1.4	1.3	10.1	7.0	0.8	5.0	2.3	4.8
JK Cement	Cement	1,571	121	51,516	66,497	9,751	13,644	2,074	4,600	27	60	-57.1	122	58.5	26.4	3.8	3.4	14.6	10.2	6.5	13.0	5.9	9.4
HeidelbergCement India	Cement	191	43	19,241	23,455	3,991	5,573	1,969	3,052	9	13	-26.5	55	21.9	14.2	2.9	2.4	10.0	6.3	13.0	16.8	10.6	14.7
Star Cement	Cement	91	37	19,545	27,177	3,692	4,894	2,051	2,824	5	7	-28.2	38	18.2	13.2	1.9	1.7	9.7	7.8	10.2	12.6	10.1	12.1
JK Lakshmi Cement	Cement	266	31	37,346	43,357	6,524	7,749	2,132	3,044	18	26	-30.4	43	14.7	10.3	1.7	1.5	6.8	5.5	11.4	14.3	10.3	12.4
India Cement	Cement	124	38	52,992	61,569	5,864	8,203	189	2,003	1	6	-70.5	960	203.7	19.2	0.7	0.7	12.1	8.4	0.4	3.7	2.3	4.1
Sanghi Cement	Cement	28	7	8,799	18,513	1,445	3,330	-96	759	-0	3	-114.6	-894	-72.3	9.1	0.4	0.4	14.3	6.8	-0.6	4.3	1.4	5.3
Mangalam Cement	Cement	190	5	10,257	13,029	1,505	2,465	540	1,185	20	44	-28.8	119	9.4	4.3	0.8	0.7	5.6	2.9	8.2	15.3	7.3	11.8
Tata Consultancy	IT Services	2,507	9,406	15,73,898	17,23,418	4,03,635	4,66,762	3,10,299	3,63,496	83	97	-4.1	17	30.3	25.9	10.0	9.0	23.1	19.9	32.9	34.6	31.4	33.5
Infosys Technologies	IT Services	983	4,187	9,61,464	10,64,384	2,42,035	2,73,879	1,71,454	1,95,017	40	46	2.3	14	24.3	21.4	5.9	5.2	16.0	13.8	24.2	24.1	25.0	25.5

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
HCL Technologies	IT Services	797	2,161	7,26,232	8,00,196	1,80,126	2,01,121	1,12,382	1,26,073	41	46	1.3	12	19.2	17.1	3.5	3.0	12.1	10.6	18.2	17.5	17.4	16.9
Wipro	IT Services	308	1,761	5,87,287	6,35,952	1,27,490	1,38,877	94,277	1,03,464	17	18	-3.0	10	18.6	17.0	2.8	2.5	13.6	12.2	15.1	14.9	15.0	14.9
Tech Mahindra	IT Services	792	765	3,64,030	3,94,096	54,086	62,777	36,303	41,346	42	47	-10.0	14	19.0	16.7	2.9	2.6	13.9	11.9	15.1	15.4	10.9	11.6
L&T Infotech	IT Services	2,725	476	1,17,947	1,33,752	22,909	26,625	16,553	19,868	95	114	8.9	20	28.6	23.9	7.1	5.9	20.5	17.6	24.9	24.6	22.9	23.3
L&T Technology Services	IT Services	1,617	169	53,784	59,795	9,418	11,939	6,471	8,783	62	84	-21.3	36	26.1	19.2	5.2	4.3	18.1	13.9	19.8	22.5	21.0	23.8
Mindtree	IT Services	1,251	206	76,887	85,782	12,471	14,616	7,818	9,335	48	57	23.9	19	26.2	22.0	5.4	4.5	16.1	13.4	20.5	20.6	19.7	20.1
NIIT Technologies	IT Services	2,157	131	45,994	51,666	7,688	8,940	4,718	5,568	78	92	7.6	18	27.7	23.4	5.9	5.1	15.7	12.9	21.4	21.8	18.9	22.4
Persistent Systems	IT Services	1,145	87	39,515	42,140	5,631	6,174	3,732	4,299	49	56	9.7	15	23.4	20.3	3.2	2.9	14.0	12.2	13.8	14.2	13.7	14.2
Cyient Limited	IT Services	411	45	39,301	42,454	4,766	5,445	2,864	3,267	26	30	-23.4	14	15.8	13.8	1.6	1.5	8.1	7.1	10.3	10.9	9.8	10.5
Hexaware Technologies	IT Services	444	133	68,859	69,724	11,115	9,943	7,022	#DIV/0!	23		11.4		18.9		3.7		11.4		19.5		18.2	
Mphasis Ltd	IT Services	1,298	242	92,608	1,02,847	16,863	19,297	11,665	13,704	62	73	-1.5	17	20.9	17.8	3.8	3.5	13.0	11.2	18.4	19.8	17.4	19.0
Sun Pharma	Pharma	506	1,215	3,50,213	3,86,145	87,613	99,884	50,084	58,735	21	24	23.0	17	24.3	20.7	2.4	2.2	13.6	11.5	12.6	12.8	10.5	11.1
Dr Reddy's Labs.	Pharma	4,515	750	1,90,937	2,11,272	42,961	48,593	23,217	26,498	136	156	-29.1	14	33.1	29.0	4.4	3.9	17.5	15.2	13.3	13.5	10.1	10.6
Divi's Laboratories	Pharma	3,190	847	67,544	81,652	24,586	29,395	17,158	20,774	65	78	32.6	21	49.4	40.8	9.7	8.1	34.4	28.6	19.7	19.9	-	-
Cipla	Pharma	746	602	1,89,221	2,10,543	38,033	42,740	20,192	23,630	25	29	30.6	17	29.7	25.3	3.5	3.2	16.0	13.8	11.8	12.6	-	-
Lupin	Pharma	1,000	453	1,63,437	1,83,492	31,516	37,383	10,279	15,270	23	34	7.2	49	44.1	29.7	3.4	3.1	15.3	12.7	12.3	14.3	-	-
Biocon	Pharma	439	527	86,614	1,01,746	25,431	29,903	12,198	15,288	10	13	36.4	25	43.2	34.5	6.2	5.3	21.4	18.0	17.1	16.9	15.7	16.8
Aurobindo Pharma	Pharma	826	484	2,53,426	2,72,145	62,033	65,976	30,668	34,835	53	60	6.5	14	15.7	13.8	2.4	2.1	8.1	7.3	21.0	18.7	20.9	19.7
Cadila Healthcare	Pharma	375	384	1,50,616	1,65,203	31,094	37,223	17,008	19,111	17	19	14.4	12	22.6	20.1	3.4	3.1	14.2	11.7	14.9	18.0	9.3	11.8
Ipca Laboratories	Pharma	2,153	272	54,405	63,809	14,123	15,743	10,159	11,932	80	94	68.3	17	26.8	22.8	5.9	4.7	19.1	16.6	21.9	20.6	21.2	20.4
Glenmark Pharma	Pharma	497	140	1,16,210	n.a.	19,440	n.a.	8,303	n.a.	29	n.a.	7.0		16.9		1.9		8.5		11.1		8.8	-
Adani Ports & SEZ	Infrastructure	355	721	1,26,437	1,57,308	80,459	1,01,753	44,951	56,338	22	28	-15.4	25	16.0	12.8	2.4	2.0	12.9	9.8	15.0	15.9	9.0	9.7
PNC Infratech	Infrastructure	170	44	43,901	54,877	5,707	7,683	2,765	4,154	11	16	-39.9	50	15.8	10.5	1.6	1.4	7.3	5.8	10.3	13.8	11.4	14.4
NCC	Infrastructure	34	21	74,051	92,564	8,146	11,108	2,298	4,009	4	7	-43.2	74	8.8	5.1	0.4	0.4	4.5	3.3	4.4	7.3	7.4	9.6
KNR Construction	Infrastructure	262	37	20,198	25,248	3,535	5,050	1,218	2,251	9	16	-48.4	85	30.3	16.4	2.1	1.9	11.0	7.6	7.2	12.2	7.4	11.8

PhillipCapital India Coverage Universe: **Valuation Summary**

		CMP	Mkt Cap	Net Sales (₹ mn)		EBIDTA (₹ mn)		PAT (₹ mn)		EPS (₹)		EPS Growth (%)		P/E (x)		P/B (x)		EV/EBITDA (x)		ROE (%)		ROCE (%)	
Name of company	Sector	₹	₹ bn	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E	FY20E	FY21E
Ashoka Buildcon	Infrastructure	71	20	35,437	44,296	3,898	5,537	2,537	3,706	9	13	-34.5	46	7.9	5.4	0.7	0.6	5.6	4.0	9.0	11.6	9.6	12.1
IRB Infrastructure	Infrastructure	120	42	52,361	54,668	23,207	24,301	362	-1,965	1	-6	-95.0	-642	116.4	-21.5	0.6	0.6	7.3	7.2	0.5	-2.9	2.8	2.0
Sadbhav Engineering	Infrastructure	55	9	22,517	28,146	2,364	3,377	241	851	1	4	-70.8	253	47.2	13.4	0.5	0.5	9.1	7.4	1.1	3.9	2.7	4.4
Ahluwalia Contracts	Infrastructure	273	18	16,964	21,205	1,866	2,651	954	1,539	14	23	48.1	61	19.1	11.9	2.0	1.7	8.5	5.7	11.2	15.8	13.1	17.1
ITD Cementation	Infrastructure	56	10	25,746	32,183	2,317	3,218	260	952	2	6	-40.6	266	37.0	10.1	0.9	0.8	5.2	3.8	2.4	8.2	6.5	10.4
Container Corp Of India	Logistics	386	235	54,084	66,039	9,992	15,100	5,335	8,821	9	14	-47.1	65	44.0	26.6	2.3	2.2	21.0	13.9	5.2	8.2	5.3	8.4
VRL Logistics	Logistics	162	15	14,808	21,407	1,251	3,249	-475	981	-5	11	-152.7	-307	-30.9	15.0	2.5	2.3	15.2	5.8	-8.2	15.3	-0.9	12.1
Allcargo Logistics	Logistics	124	30	62,051	71,757	3,556	4,941	967	1,952	4	8	-42.5	102	31.5	15.6	1.4	1.3	9.9	7.4	4.4	8.5	4.0	7.3
Gateway Distriparks	Logistics	94	12	10,455	12,667	2,068	2,641	163	633	1	6	-83.8	289	62.9	16.2	0.7	0.7	8.5	6.4	1.2	4.6	3.8	5.9
Navkar	Logistics	27	4	4,108	5,263	1,056	1,568	115	504	1	3	-74.5	337	35.4	8.1	0.2	0.2	8.5	5.5	0.6	2.7	1.7	3.3
Godrej Properties	Real Estate	902	227	11,665	15,374	3,223	4,814	1,745	2,551	8	11	-16.4	46	118.6	81.1	7.3	6.7	87.8	64.9	6.1	8.2	17.2	19.1
Oberoi Realty	Real Estate	405	147	19,323	26,370	8,829	13,218	5,545	8,388	15	23	-27.1	51	26.6	17.6	1.6	1.4	17.8	11.9	5.9	8.2	8.2	9.5
Phoenix Milla	Real Estate	634	109	10,241	18,476	6,180	9,915	2,478	5,283	16	34	-50.2	113	39.2	18.4	2.7		23.0	11.0	6.8		4.2	14.9
Shobha	Real Estate	252	24	32,249	37,563	5,785	7,999	1,501	3,518	16	37	-37.6	134	16.1	6.9	0.9	0.8	8.8	7.1	5.9	12.2	17.4	23.2
UPL	Agri Input	525	401	3,89,874	4,24,901	81,094	89,229	30,385	35,710	40	47	18.2	18	13.2	11.2	1.8	1.6	7.1	6.1	12.6	13.1	9.0	9.5
PI Industries	Agri Input	1,991	302	41,732	49,225	8,971	11,031	5,923	7,244	39	48	18.1	22	51.0	41.7	5.9	5.2	33.6	27.2	11.5	12.5	14.5	12.9
Coromandel Inter	Agri Input	781	229	1,42,634	1,49,016	19,905	21,653	12,646	13,999	43	48	6.5	11	18.1	16.3	4.2	3.4	12.0	10.6	23.2	20.8	34.4	30.4
SRF	Sp Chemicals	4,290	246	73,982	86,850	16,868	20,410	8,390	10,979	143	188	-0.3	31	29.9	22.9	4.4	3.8	16.4	13.6	14.7	16.5	10.1	12.0
Aarti Industries	Sp Chemicals	1,086	189	46,661	57,843	10,732	13,651	5,684	7,511	33	43	6.0	32	33.3	25.2	5.4	4.1	19.7	15.2	16.6	26.2	-	-
Atul	Sp Chemicals	6,775	201	38,329	44,990	9,352	10,933	6,338	7,513	214	253	-1.7	19	31.7	26.8	5.5	4.7	21.0	17.5	17.4	17.7	-	-
Vinati Organics	Sp Chemicals	1,163	120	13,585	15,797	4,897	5,723	3,710	4,320	36	42	11.1	16	32.2	27.7	7.3	5.9	23.7	19.7	22.8	21.2	-	-
Camlin Fine Sciences	Sp Chemicals	94	11	12,288	15,332	1,966	2,775	908	1,524	7	10	90.4	30	12.6	9.7	2.2	2.0	8.2	5.2	19.0	20.5	-	-
Atul	Sp Chemicals	5,144	154	43.1	49.5	9.6	10.9	6.4	7.3	217	248	51.5	14.0	23.7	20.8	4.6	3.8	15.3	12.8	19.3	18.2	-	-
Vinati Organics	Sp Chemicals	940	103	10.6	13.6	4.1	4.9	3.4	3.7	61	73	19.4	19.3	15.4	12.9	3.6	2.9	24.5	19.9	23.4	22.2	-	-
Camlin Fine Sciences	Sp Chemicals	71	9	10.2	13.0	1.3	2.1	0.5	1.0	4	8	343.2	99.5	17.8	8.9	2.1	1.7	9.3	5.6	14.0	22.0	-	-

Source: PhillipCapital India Research Estimates

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