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India Consumer

EQUITY: GENERAL CONSUMER

FMCG industry going the natural way

Challenging the old guard.

Global Markets Research

22 February 2016

A new trend emerges, with an eye-catching new entrant

Indian consumers are returning to their roots and increasingly buying natural products. The Indian Ayurvedic market, as it is commonly known, has seen a 10.7% CAGR in revenue over 2010-2015 and we expect a 15% CAGR from 2016 to 2020F. Several companies in the industry are now attacking this space, eg, HUL (Buy) and Emami (Neutral) through acquisitions, while GCPL (Buy) and Dabur (Buy) are introducing new products. However, a major beneficiary of this growth has been Patanjali Ayurved (PAL), with 60% revenue CAGR (sector average ~14%) placing it, as of FY15, ninth in terms of consumer company revenues.

Extrapolating a 3% market share across all categories shows potential revenue of INR85bn by FY19

PAL offers a diversified product portfolio (present in over 15 categories in the HPC and F&B space) and holds immense appeal in the mass market, through word of mouth and a unique promotions strategy. As a result, consolidation is taking place. If PAL is able to replicate its current success in Oral Care (~3% market share) across the categories in which it operates, revenues for the company could reach INR85bn by FY19, implying a five-year revenue CAGR of 48.2%, far outstripping wider industry growth.

Mass appeal, low A&P spending and smart category expansion

PAL has a wide and differentiated portfolio, with a presence across all the fast-growing categories. We believe key factors that would have contributed to this are: 1) a loyal client base that the company puts at 10mn middle class urban consumers; 2) a low-cost advertising strategy that relies on mass appeal, with savings reinvested in the business; 3) simple packaging and Ayurvedic positioning which has caught the imagination of consumers; and 4) expanding its distribution network.

FMCG industry to benefit as a whole; DABUR and HMN may feel immediate impact

The rapid rise of PAL has made the industry take note. Apart from facilitating category and industry expansion as new consumers enter the branded space, we believe that there will be a change in industry dynamics leading to consolidation and several regional brands having difficulty surviving.

Having said that, we expect no *immediate* change in the status quo. However, PAL's rise could slow the pace of market share gains in select categories. We prefer stocks that are strong on innovation and that have been quick to react to the new trends in the natural product segment.

Fig. 1: Stocks for Action: HUVR, BRIT and GCPL remain our top picks (priced 18/2/16)

Company name	Rating	TP (INR)	Last Price (INR)	Upside (%)	Risk from PAL
Hindustan Unilever	Buy	1,002	827	21.1%	Low
Britannia Industries	Buy	3,790	2,754	37.6%	Low
Godrej Consumer	Buy	1,460	1,208	20.9%	Low
Dabur India	Buy	312	244	28.0%	Med - High
Emami	Neutral	1,050	1,014	3.5%	Med - High

Source: Bloomberg, Nomura estimates

Anchor themes

Rising incomes, favourable demographics, low penetration and per capita usage make the consumer sector one of the most attractivein India from a medium-to long-term perspective.

Nomura vs consensus

Our FY17F EPS estimates for HUVR, GCPL and BRIT are 4.0%, 5.7% and 1.2% above consensus, respectively.

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Contents

Executive summary

Pantanjali making waves in the Ayurvedic space

Indian consumers are returning to their roots and increasingly buying natural products. The Indian Ayurvedic market, as it is commonly known, has seen a 10.7% CAGR in revenue over 2010-2015 and we expect a 15% CAGR from 2016 to 2020F. Several companies in the industry are now attacking this space, eg, HUL (Buy; TP: INR1,002) and Emami (Neutral; TP: INR1,050) through acquisitions, while GCPL (Buy; TP: INR1,460) and Dabur (Buy; TP: INR312) are introducing new products. However, a major beneficiary of this growth has been Patanjali Ayurved (PAL), with 60% revenue CAGR (sector average ~14%) placing it, as of FY15, ninth in terms of consumer company revenues.

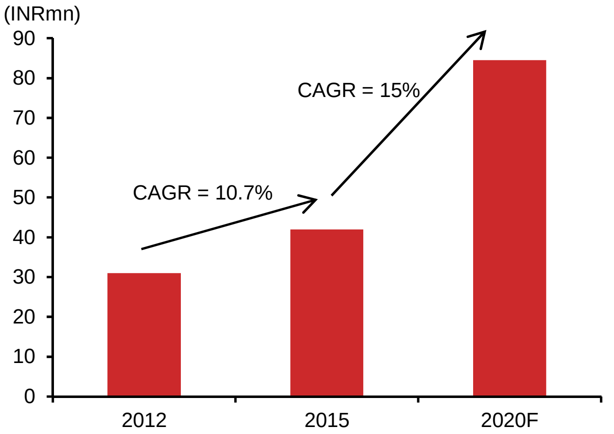
PAL offers a diversified product portfolio (present in over 15 categories in the HPC and F&B space) and holds immense appeal in the mass market, through word of mouth and a unique promotions strategy. As a result, consolidation is taking place. If PAL is able to replicate its current success in the oral care category and gain ~3% market share across the categories in which it operates, we estimate revenues could reach INR85bn by FY19, implying a five-year revenue CAGR of 48.2% – far outstripping wider industry growth.

The rapid rise of PAL has made the industry take note. Apart from facilitating category and industry expansion as new consumers enter the branded space, we believe that there will be a change in industry dynamics leading to consolidation and several regional brands having difficulty surviving.

Having said that, we expect no immediate change in the status quo. However, PAL's rise could slow the pace of market share gains in select categories. We prefer stocks that are strong on innovation and that have been quick to react to the new trends in the natural product segment.

Fig. 2: The consumption of 'natural' products is on the rise

Indian Ayurvedic Market



Source: Nomura research

Fig. 3: Companies such as Himalaya Drug Co. have done well in this environment

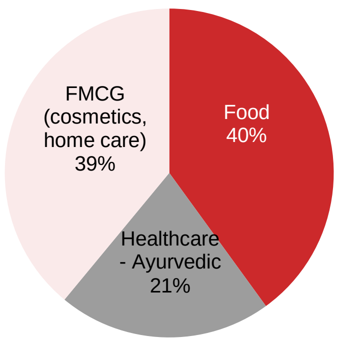
Himalaya Drug Co market share in facial cleansers (%)

Facial Cleansers	2005	2010	2014
Unilever	33.9	32.2	33
Himalaya Drug Co	**10.6**	**16.2**	**17.1**
L'Oréal	3.7	11	11.7
Amway Corp	3.7	4.8	4.3
Beiersdorf	2.4	2.8	2.6
Others	36.3	33	31.3

Source: Euromonitor, Nomura research

Fig. 4: Recently there has been a renewed focus on the sector, which we believe has been driven by Patanjali

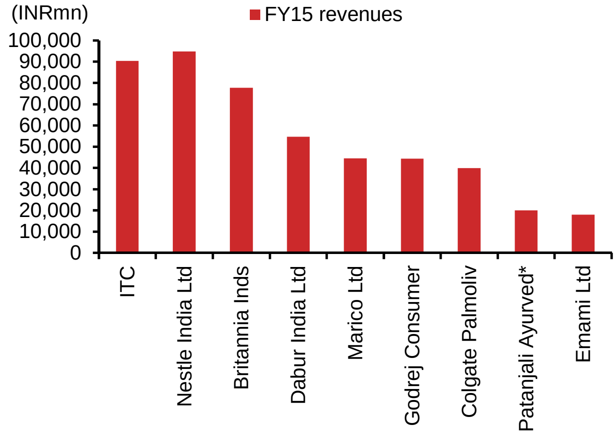
Patanjali distribution of revenues, FY14



Source: AceEquity, Nomura research

Fig. 5: PAL is now a top 10 FMCG company in revenue terms

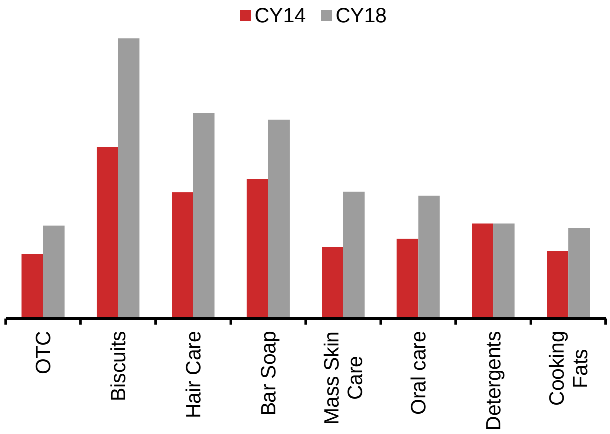
HPC companies' revenues



Source: Company data, Nomura research

Fig. 6: PAL has a wide and diversified portfolio, along with a presence in high-growth categories

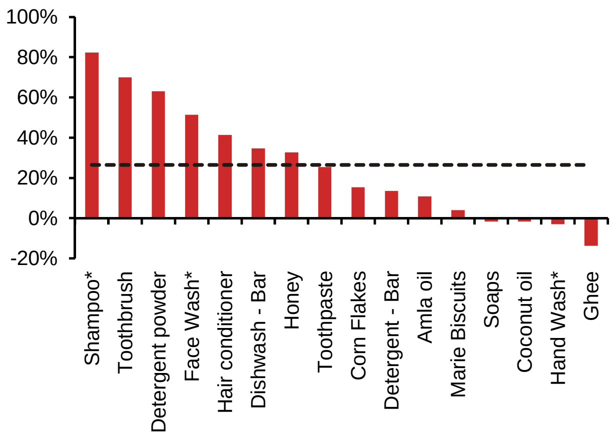
Current and projected market sizes



Source: Euromonitor, Nomura research

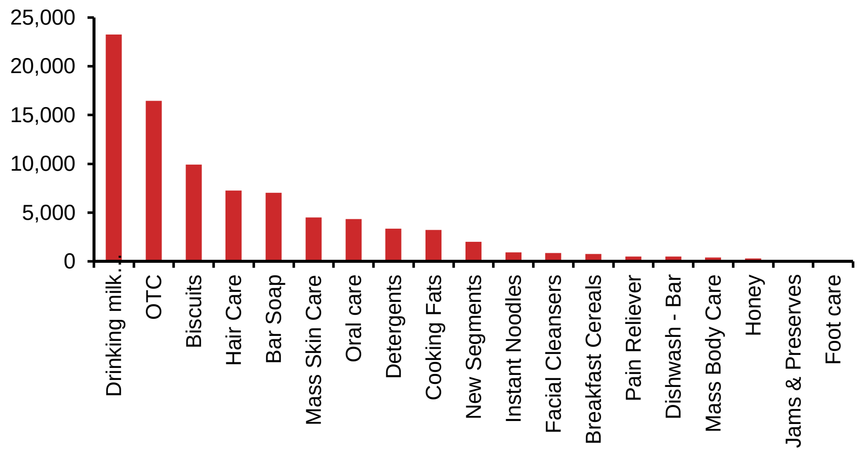
Fig. 7: Affordable pricing, low A&P and unique distribution strategy are all factors that have helped

PAL average discount (premium) to competitors by category



Source: Nomura research

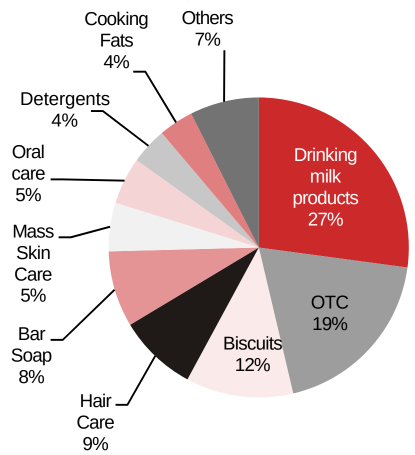
Fig. 8: If the company acquires 3% market share in each category, it implies revenues of INR85bn by FY19F



Source: Nomura estimates

Fig. 9: Dairy to be the largest contributor in FY19

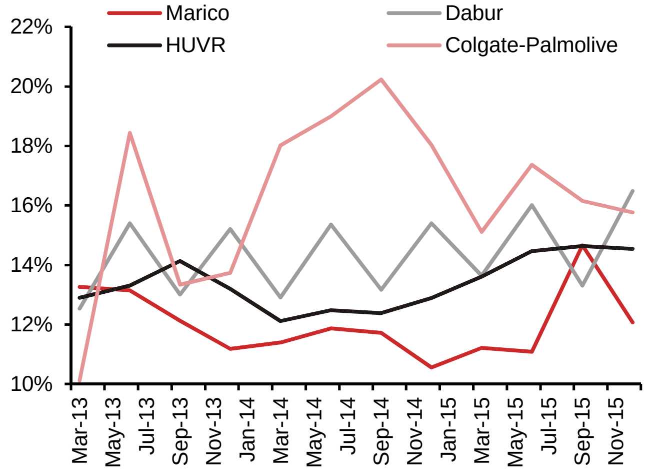
Estimated revenues by division



Source: Nomura estimates

Fig. 10: While we expect companies to respond with higher A&P and better innovation…

A&P spends - consumer companies



Source: Company data, Nomura research

Fig. 11: …We also believe the industry will consolidate

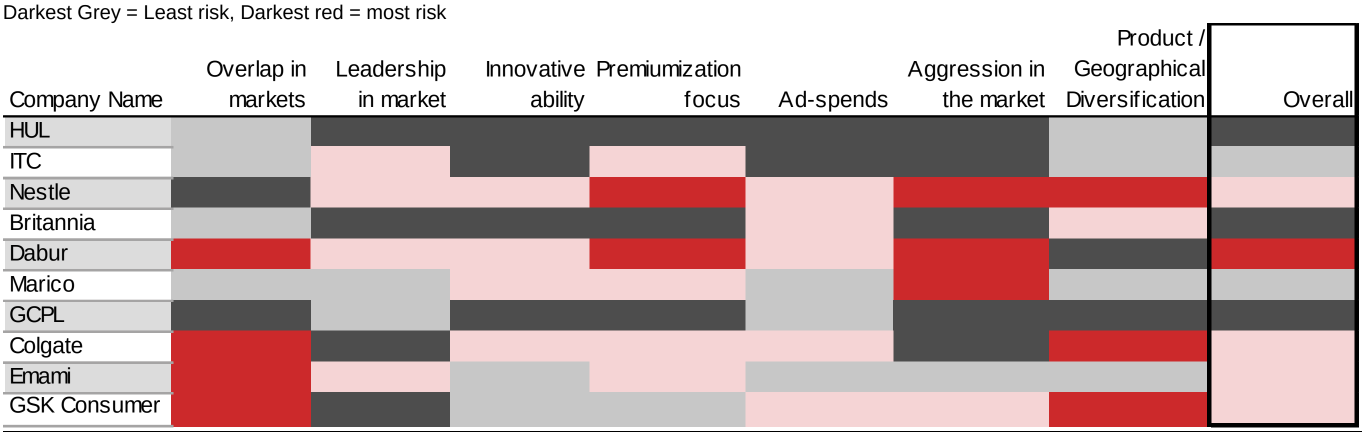
Oral care market share

	Market Share (%)	
Brand	**2008**	**2015**
Colgate	45	57
Unilever	21	21
Dabur	7	12
Patanjali	0	4
Others	**27**	**6**

Source: Company data, Nomura research

Fig. 12: We see Dabur and HMN at maximum risk

Darkest Grey = Least risk, Darkest red = most risk



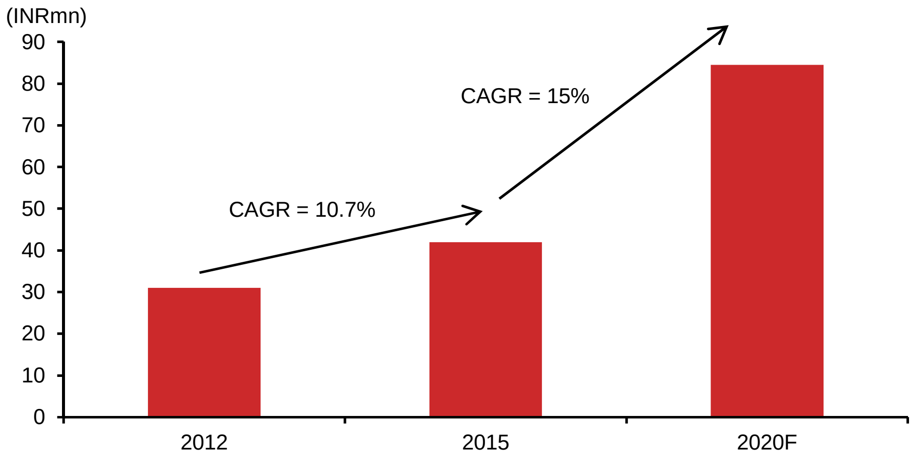
Source: Nomura research

Consumers return to their roots: natural products all the rage

Consumption of products with natural ingredients on the rise

In the last two years, consumers have become increasingly interested in packaged, naturally healthy products, which go under various names, such as "herbal nature", "natural" or Ayurvedic products. However, the underlying attraction is the same: consumers are returning to their roots and are interested in natural Indian products free from chemicals, as they are perceived to be safer. This increased demand is most noticeable in three segments: food and beverages, hair and skincare, and alternative therapy services, the first two affecting most companies under our coverage. We estimate that the Indian Ayurvedic market is worth INR50bn in terms of revenue in FY16 and is growing at a rate of 10-15% per year, which we believe can be maintained.

Fig. 13: The Indian Ayurvedic market

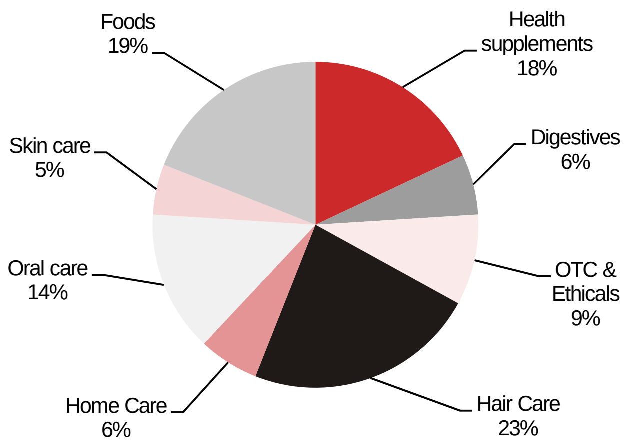


Source: Nomura research estimates

Many leading companies have a presence in the Ayurvedic market, with Dabur India being prominent. Its health supplements, digestives, OTC and ethicals portfolios boast a wide range of products, such as Chyawanprash, Pudin Hara and Honey (Fig. 14). Others also have similar products, eg, Emami with its OTC portfolio and GCPL with Godrej Nupur Henna hair colours.

Fig. 14: significant portion of Dabur's portfolio focuses on naturals, as of Q2FY16

Revenues by segment (Dabur India)



Source: Company data, Nomura research

Fig. 15: Other companies also have a presence in the natural product space

Company	Product	Category
Dabur	Hajmola	Digestives
	Honey	Foods
	Meswak	Oral Care
	Women's health tonic	Healthcare
	Stresscom	Healthcare
GCPL	Nupur Henna	Hair Colours
Emami	Zandu	Healthcare
	Navratna	Cooling oil

Source: Company data, Nomura research

However, given the increased focus on natural products by consumers, several companies have launched products and services with traditional Indian ingredients as their unique selling point (USP). The first change was apparent in the F&B segment, especially in biscuit and bakery products, with naturally healthy variants such as high-fibre biscuits and snacks being launched by major F&B companies. This segment is enjoying strong growth, with consumers shifting to variants such as *raagi* biscuits, oat biscuits and multigrain biscuits, among others. New categories are being added such as noodles, cooking sauces and probiotic yoghurt. According to a Tata Strategic Management Group (TSMG) report, the health and wellness F&B market too has the potential to achieve growth rates of 40% CAGR in the next three years.

Future drivers include increasing consumer spending and expansion into second and third tier cities. Distribution channels are changing as well, with companies focusing on exploring new distribution partners such as online and speciality wellness retailers.

Trend visible through market share gains

The Indian household and personal care (HPC) category is large, with the market even larger, in our view. However, it is served by a large number of small and medium-sized companies, including Kama Ayurveda, The Himalaya Drug Company, Omved, The Body Shop, Forrest Essentials, Lotus Herbals, SeaSoul Cosmeceuticals and SoulTree.

A success story in beauty has been The Himalaya Drug Company, through its brand Ayurvedic Concepts. The company aims to give customers herbal personal care products which are rooted in Ayurveda but backed by research. It has achieved significant success in personal care in the last 10 years. For example, in the face-wash category (which Euromonitor estimates is an INR14.4bn industry as of 2014, growing at a CAGR of >20%), the Himalaya Drug Company has managed to grow its market share to 17.1%, from 10.6% in 2005. It also offers shampoo and body care products. Companies such as Zydus Wellness (Everyuth) have also entered the sector.

Emami (HMN IN, Neutral) too has achieved significant success on the naturals front, with its brands such as Navratna Cool Oil and Zandu Balm.

Fig. 16: Himalaya Drug Co has done well in facial cleansers

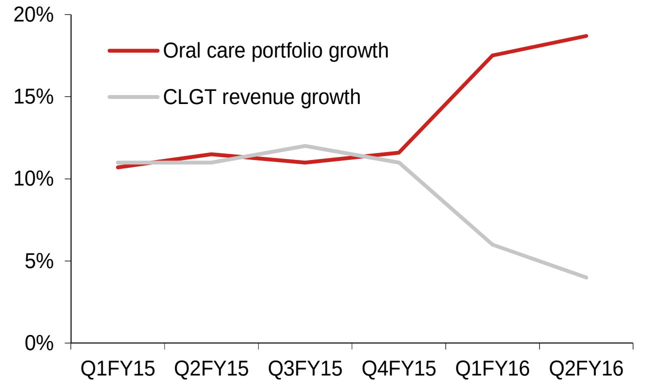
Market share (%)

Facial Cleansers	2005	2010	2014
Unilever	33.9	32.2	33
Himalaya Drug Co	**10.6**	**16.2**	**17.1**
L'Oréal	3.7	11	11.7
Amway Corp	3.7	4.8	4.3
Beiersdorf	2.4	2.8	2.6
Others	36.3	33	31.3

Source: Euromonitor, Nomura research

Fig. 17: Dabur's success in the oral portfolio is reflected in growth

Dabur oral care portfolio growth vs. leader CLGT



Source: Company data, Nomura research

Distributor feedback is positive

We carried out channel checks with distributors in the consumer space and they confirmed the rising trend of consumers buying natural products. They believe most consumers purchase these products as a solution to a particular problem. Often distributors are asked for advice, not unlike a chemist, regarding a particular brand of Ayurveda products which can help alleviate particular ailments.

In northern India, distributors indicated that demand is from urban and rural segments, across most income categories. Consumers seem to be brand-conscious and although they are aware of the new products they tend to stick with their current brand.

When asked about packaging, distributors mentioned that consumers do not seem to be influenced by packaging and normally this does not affect their decision. A positive for companies is that we inferred from our discussions that consumers are not price-sensitive as long as they are assured of the quality and possible benefits of the Ayurvedic product.

Companies seem to be moving in this direction

Despite the increasing use of natural and healthy ingredients in products in the past few years, several corporate actions undertaken recently and product innovations from companies under our coverage illustrate the importance of this trend.

- Emami acquired Kesh King, a company in the Ayurvedic hair-care segment (see *Emami: Expensive but highly profitable acquisition*, June 2, 2015)
- Hindustan Unilever (HUVR IN, Buy) after relaunching its naturals portfolio, Ayush, acquired Indulekha hair oil (see *HUL acquires Indulekha*, December 17, 2015).
- Companies such as Godrej Consumer, Dabur and Colgate Palmolive (CLGT IN, Reduce) have also introduced new products in this area.

Patanjali's entrance drives incumbents to ramp up efforts

The driving force…

While we attribute the overall growth in the naturals space to increased consumer awareness, we would also point out that company activity on this front has increased significantly in the past six to eight months. We believe the driving force behind this is a new entrant in the field, Patanjali Ayurved Ltd.

This section describes the company, its products and what we believe are the reasons for its success.

Patanjali Ayurved Limited (PAL) grew out of the efforts of yoga teacher Baba Ramdev and his companion, Acharya Balkrishna, who began manufacturing medicines in the early 1990s. Accordingly, PAL was established as a small pharmacy in 1997 and formally organised as a consumer goods firm in 2006. In 2010 it commissioned the construction of one of the world's largest food parks, with a total investment of INR5bn.

The company's focus lies primarily on revenue growth, with its main philosophy being present in all forms that can help consumers get a better product at a better price. For this reason, profits are reinvested in innovation, renovations, cost effectiveness and further capacity expansion.

Apart from this, the key value proposition for the company is *Swadeshi* – making products that are on the Ayurvedic platform. One of the company's goals as set out in the director's report is that it will endeavour to prevent the environment from being poisoned with chemical fertilisers and pesticides. Today, Patanjali is involved in several categories of personal care and food products, such as soaps, shampoos, dental care, balms, skin creams, biscuits, ghee, juices, honey, *atta* noodles, mustard oil, *masala*, oil and sugar.

Financials

According to the Registrar of Companies, PAL achieved two-year revenue CAGR of 62.2% for the period of FY12-14, with FY14 revenues of INR11.87bn. This makes PAL one of the fastest-growing companies in the consumer space in that timeframe, certainly compared with those under our coverage which saw a CAGR of 14% (including acquisitions). According to *The Economic Times*, PAL's FY15 revenues stood at INR20bn, giving it a 64% three-year CAGR.

While the core product (Ayurvedic Healthcare) is contributing ~21% to the top line, its Foods and FMCG divisions contribute ~40% each. The company has a diversified portfolio and is now present in almost all conventional FMCG categories, with an extensive portfolio of over-the counter (OTC) medicine and ethnic food products as well.

Surprisingly, despite the high growth, PAL remains profitable (unlike the FMCG business of ITC [ITC IN, Reduce]) and EBITDA margins of 18-20% are at the higher end of the industry average. Our analysis shows that the average EBITDA margins for the packaged F&B universe is 16% and that of the HPC universe is 14-16%. Profitability of PAL is comparable to that of Emami and Colgate.

Fig. 18: PAL has achieved a two-year revenue CAGR of >60%

Currency INR mn	FY12	FY13	FY14
Gross Sales	4,512	8,439	11,867
Total Income	4,539	8,490	11,946
Total Expenditure	3,137	6,921	9,475
PBIDT	1,402	1,569	2,471
PBIT	1,064	1,239	2,143
PBT	702	952	1,963
PAT	559	756	1,547

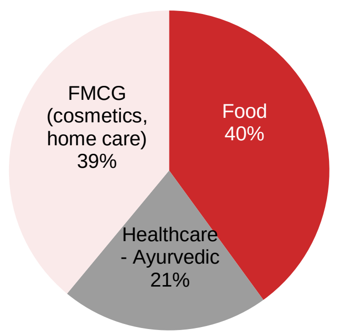
Source: Ace Equity, Nomura research

Fig. 19: PAL's return ratios

Margins	FY12	FY13	FY14
Debt to Equity(x)	1.3	0.8	0.4
Current Ratio(x)	1.1	1.2	1.7
ROCE(%)	28.2	31.8	45.0
RONW(%)	34.7	38.8	49.3
PBIDTM(%)	31.1	18.6	20.8
PATM(%)	12.4	9.0	13.0

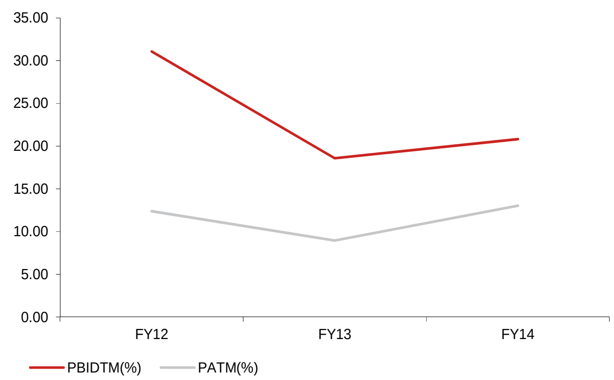
Source: Ace Equity, Nomura research

Fig. 20: Foods and FMCG are the largest contributors



Source: Ace Equity, Nomura research

Fig. 21: Strong EBITDA margins



Source: Ace Equity, Nomura research

Where does Patanjali stand?

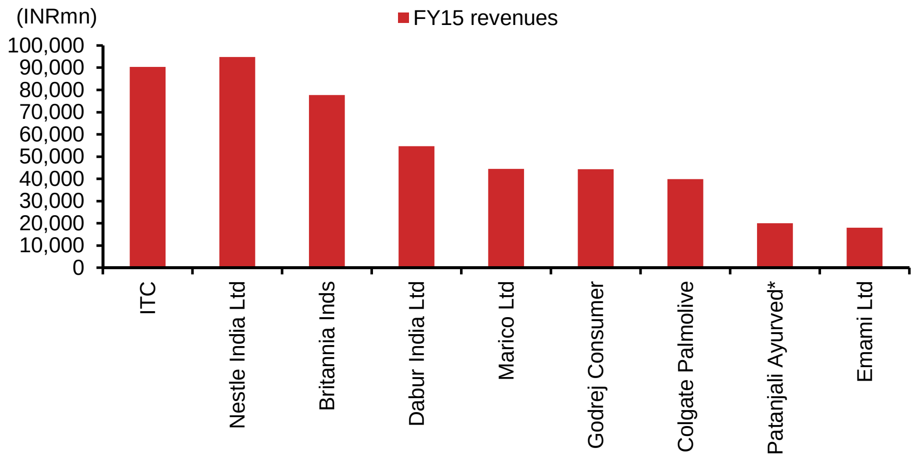
Growth comparable with ITC's FMCG business

When we compare revenues with its listed peers, in a fairly short time, PAL has already broken into the top 10 largest companies in the domestic consumer space (Fig. 22).

With the exception of ITC, most companies have taken an average of 15-20 years to develop a strong consumer base along with a solid distribution network leading to revenues of more than INR10bn. PAL and ITC we consider as exceptions, both having more than doubled their revenue bases in a short time.

Fig. 22: PAL revenues now among the 10 highest

Domestic business revenues of major consumer companies in FY15 in India



Source: Company data, Nomura research

Creating a storm

In the last three years, PAL has been able to achieve revenue growth of over 60% compared to average FMCG sector growth of ~14%. As shown in Fig. 23, PAL has outperformed HPC and F&B companies over the last three years in terms of revenue; although companies such as Dabur and Emami have similar portfolios, they only showed revenue growth of 12.7% and 13.9% respectively.

Fig. 23: Revenue CAGRs for companies in HPC/food universe

Company	FY12 (INR mn)	FY15 (INR mn)	3yr CAGR
Hindustan Unilever	229,877	311,997	10.7%
ITC	63,844	90,380	12.3%
Nestle India Ltd	74,908	98,063	9.4%
Britannia Inds	54,608	77,751	12.5%
Dabur India Ltd	36,982	54,645	13.9%
Marico Ltd	27,660	44,490	17.2%
Godrej Consumer	29,801	44,298	14.1%
Colgate Palmolive	26,932	39,819	13.9%
Emami Ltd	12,575	18,000	12.7%

Source: Company data, Nomura research

The company seems to have been able to achieve this on the back of its diversified and wide portfolio, unique pricing strategy, strategic positioning and continuing innovation.

A different type of company

A well-diversified portfolio

As shown in Fig. 24, PAL operates through three main divisions: FMCG, Foods, and Ayurvedic & Herbal Products. The FMCG division consists of personal wash, fabric wash and HPC products, which include categories such as skin, hair and oral care. In the food segment, items include biscuits, cooking oil, breakfast cereals, jams and milk products. The company's oral care and ghee products are particularly popular.

The Ayurvedic & Herbal Products division sells items such as Chaywanprash, Bhasm and other medicines. This is a new category in which Patanjali is focused on growth. Fig. 24 displays the breadth of PAL's main product range across each of the three divisions (it is not a complete illustration of all Patanjali products; it has launched several new products such as Sheetal Oil, the Saundarya beauty range and other OTC medicines, including ethnic items and packaged staples in both the conventional and the unconventional FMCG space).

The Times of India reports that the company is now planning to expand its portfolio with the introduction of Patanjali Ketchup, Medicated Juices, Medicated Drinks, Amla Jeera Powder, Amla Hair Oil and Seabuckthorn Oil.

Fig. 24: A wide and diversified product portfolio

PAL product portfolio

Category	Brand	Size (Grams)	Price (INR)
Dishwash - Bar	Super	175	10
Oral care	Dant Kanti - Dental Cream	200	75
Soaps	Kanti	75	13
Shampoo*	Kesh Kanti	200	75
Detergent - Bar	Detergent Cake - With herbs	250	16
Hand Wash*	Herbal Hand wash	250	55
Face Wash*	Neem & Tulsi	60	45
Body Lotion*	Tejus	100	60
Pain Reliever	Peedantak	50	70
Skin Care	Anti Wrinkle Cream	50	150
Face Care	Scrub	60	60
Hair Oil*	Amla hair oil	100	40
Cosmetic	Lip Balm	10	25
Hair Care	Herbal Mendhi	100	35
Hair Oil*	Tejus Coconut oil	200	65
Hair conditioners	Protein hair conditioner	100	60
Detergents	Premium Detergent powder	1,000	185
Foot care	Crack heal cream		70
Milk Products	Desi Ghee	1,000	450
Honey	Honey	500	135
Cooking oil*	Mustard oil	1,000	148
Jam	Pineapple Jam	500	70
Biscuits	Nariyal Biscuits	100	10
Biscuits	Marie Biscuits	300	30
Breakfast Cereals	Corn Flakes	500	145
Instant Noodles	Atta Noodles	70	15

Note: *size in ml. Source: Nomura research

Fig. 25 compares the breadth of portfolios across FMCG majors under our coverage and PAL. It shows that PAL has a product range that is wider than most in the industry, including HUL and ITC, mainly as Patanjali is present in both packaged foods and HPC.

However, we also admit that while the portfolio is quite wide, it lacks depth: consumers will not be able to find variety in PAL's products, something most of its competitors do offer.

Fig. 25: One of the widest portfolios compared with companies under coverage

Product portfolio - PAL vs competitors

Colgate	Marico	GCPL	Emami	Dabur	HUL	Patanjali
Oral Care	Coconut oil	Soaps	Oils	Hair Oils	Soaps	Home Care
Body Wash	Food	Household Insecticide	Pain Relief	Shampoo	laundry	Cleaners
Handwash	Hair Oils	Hair Colour	Skin Care	Oral Care	Home Care	Skin Care
	Deodorants	Liquod Detergent	OTC & Health Care	Skin Care	Skin Care	Oral Care
	Hair Care	Handwash	Hair oils	Home Care	Hair oils	Body Care
	Skin Care	Professional Hair Care	Talcum powder	Health Suppliments	Shampoo	Eye Care
		Deodorant	Deodorant	Digestives	Oral Care	OTC
			Feminine Hygiene	OTC	Colour Cosmetic	Digestives
				Juices	Beverages	Health Supliments
					Packaged Foods	Laundry
					Water Purifiers	Hair oils
					Deodorant	Shampoo
						Beverages
						Packaged Staples
						Instant Noodles

Source: Nomura research

Two successful products so far…

Within PAL's portfolio, its toothpaste and ghee have achieved widespread recognition among consumers. In Oral Care, Dant Kanti continues to be one of the products in greatest demand, according to the company. PAL also says that its Patanjali Cow's Ghee is the most sought-after food product across the country.

According to PAL, Cow's Ghee is expected to contribute INR12bn (~20% of sales) in FY16 to the top line, implying that the product captures a ~15% share of the total market of INR75bn.

Dant Kanti has also been able to gather share in the toothpaste market in a short space of time. Given its introduction of new variants such as medicated, advanced and junior, we can expect this share to increase. We estimate that Dant Kanti will contribute ~5% to overall sales in FY16, with a ~4% market share of the overall Oral Care category.

…driven by the nature of the product and word-of-mouth

We believe Cow's Ghee and Dant Kanti have been successful primarily on the basis of solid word-of-mouth about their 'cure-all' properties. Several consumers we spoke to directly indicated that these products, especially in Oral Care, had been a cure for their dental ailments; the effectiveness of its products has helped the company gain traction with new customers. PAL has taken advantage of other companies such as Dabur, which were first to develop awareness among the masses of such products.

Pricing: The icing on the cake

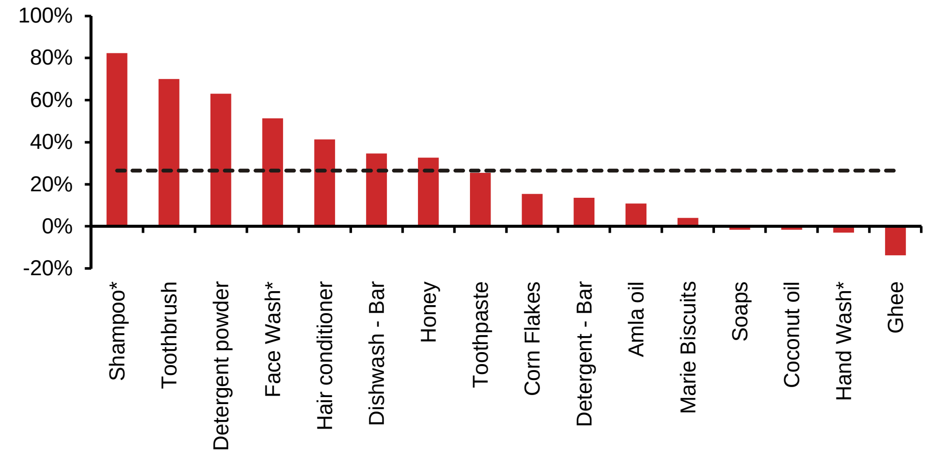
Patanjali has the ability to price its products at a 26.5% average discount to the competition. Our analysis shows that PAL's products are priced at a significant discount to peers in many categories such as shampoo, toothbrushes, detergent powders and face wash.

The rationale that PAL provides for such steep discounts is that its objective is to make products available to the consumer at the most reasonable price. The fact that the company has had negligible A&P spend so far compared with other consumer companies also allows it to take such pricing action. This discount makes it attractive to consumers and might also give them enough motivation to switch brand preferences, even in inelastic categories such as toothpaste.

However, there are a few categories where Patanjali products are priced at a premium, but these are few and primarily in mass categories which either have defined market leaders or are intensively competitive, such as soap and coconut oil. Ghee is priced at a premium because of its positioning as a pure natural product.

Fig. 26: For most of its portfolio, PAL is at a discount to competitors' products (average ~26.5%)

Average discount (premium) per category compared with competitors



Source: Bigbasket.com, Nomura research

Packaging: Simple yet effective

Packaging of PAL's products is quite simple: most of the products across categories follow a simple single colour scheme with the basic colours of white, orange and green. Compared with peers, the packaging is less glamorous, but still manages to convey the natural ingredients used and the benefits available. This is something that helps convince us that it is targeting the low-medium income segments, which is a large chunk of India's population, and does not intend to pursue the premium strategy.

However, the company does not offer small Stock-Keeping Units (SKUs) yet in any of its categories, perhaps because it has not been able to achieve the scale to do so, and its distribution channels in rural markets have not yet been developed. We infer that most of PAL's growth comes from urban markets in first, second and third tier cities. Rural expansion could be an avenue for further growth in years to come.

Fig. 27: Shampoos

Source: Nomura research

Fig. 28: Conditioner

Source: Nomura research

Fig. 29: Dishwashing Soaps

Source: Nomura research

Positioning: It's all about 'natural'

Patanjali has positioned itself entirely in the natural space, and has said that it will not launch any products that are harmful to the health of consumers, or detrimental to their health or lifestyle (such as tobacco and liquor). As a result, all its products are made with natural ingredients and PAL claims they contain no artificial preservatives. The group has managed to develop herbal-based detergent bars and powders, shampoos, conditioners and several beauty products.

Fig. 30: PAL products have herbal ingredients in nearly all categories

Category	Brand	Ingredients
Oral care	Dant Kanti - Dental Cream	*Akarkara*, *babul, neem, timbaru*, turmeric, cloves
Dishwash - Bar	Super	Lemon, wood ash
Shampoo*	Kesh Kanti	*Bhrigraj*, myrtle, *shikakai*, *aola*, *ritha*, *neem*, *tagar*
Face Care	Boro Safe	Tea tree, wheat germ
Face Care	Shave Gel	Herbal

Source: Nomura research

A Euromonitor survey on the use of natural products in India revealed that the use of natural ingredients is increasingly important, especially in skin-care products, the largest category in beauty and personal care. India is one of the largest markets for such products, along with Germany, Indonesia and China. The survey shows that despite rural Indians having lower disposable incomes, consumers in this segment have huge aspirations to buy the product. Given Patanjali's product portfolio and possible distribution reach, we believe it should be a key beneficiary of this trend.

Distribution is different

PAL has scaled up its distribution significantly over the last few years, and is now available to consumers through three main avenues: 1) its exclusive outlets 2) general retail outlets and 3) e-commerce.

Exclusive outlets

Patanjali products are available in their own retail outlets, ~15k in number, of which 5,000 are franchised. The group also sells its products through 'Patanjali Chikitsalayas' (which offer free medical consultations), 'Patanjali Arogya Kendras' (health and wellness centres) and 'Swadeshi Kendras' (regular outlets). There are ~0.2mn outlets of the Chikitshalyas and Arogya Kendras model.

Retail outlets

Apart from being present in exclusive outlets, products are also available on general retail sale. The group plans to expand its distribution network by 10x with regards to this channel over the next few years. Products are also available at chemists.

- Tie-up with Future Group

In October 2015, PAL entered into an exclusive partnership with Future Group to make its entire portfolio available in Big Bazaar outlets across the country. Other food-based chains such as Easyday and KB's Aadhar will also stock its products, making them available in more than 240 Indian cities and towns, according to the Future Group.

E-commerce

During the last year, PAL has aggressively made its products available online. Apart from having a presence on third-party e-commerce websites such as Amazon.com and Bigbasket.com, the company is also selling via its website www.patanjaliayurved.net, which offers free delivery for orders above INR499. PAL is also implementing its ERP for better inventory management and has implemented SAP already.

Fig. 31: PAL products are available in retail stores, with exclusive shelf space in Future Retail outlets (Big Bazaar)

Source: Nomura research

Fig. 32: PAL sells through its own distribution centres…

Source: Nomura research

Fig. 33: ... and has created its own e-commerce site as well having products available on others

Source: Nomura research

An integrated facility helps ease operations

Most of Patanjali's products come from the Patanjali Food and Herbal Park, one of the world's largest food parks, spread over 150 acres, where production started in early 2010. Within the park are three manufacturing units, with the largest producing food, cosmetics and digestives (i.e., digestive aids) products. Ghee and ayurvedic medicines are manufactured at the two other units. When fully operational, the park should employ over 30,000 people, according to the company. Access to an integrated facility for most of its products is a great advantage, in our view, with the group being able to achieve significant scale and synergies within divisions.

Promotions: A company with a single face…

PAL's promotions strategy differs markedly from those of its peers and has enabled it to build its business. PAL has been able to generate awareness about its products without significant investment in advertising or promotion. This has been done through a single endorsement by the yoga guru Baba Ramdev and his disciples, both on television and during public appearances. His yoga sessions show off the Patanjali portfolio, and he explains the benefits of each product after each session. We estimate 200mn people may come in contact with Baba Ramdev through these sessions. PAL has used the same 'Patanjali' brand across all products, enabling it to generate brand loyalty. This is quite different from other FMCG majors' A&P strategies, where several products have been introduced under different brand names. For example, HUL uses Lakme, Ponds and Fair & Lovely for beauty products. Another different aspect is that no discounts are offered on any PAL product.

Fig. 34: Baba Ramdev promotes all PAL's products…

Source:Hindu Business Line

Fig. 35: … in regional languages as well, which is unique

Source: Vishwa Gujarat

…but this seems to be changing

Given the increasing scale of the company and its popularity with the masses, Patanjali seems to be moving to the next growth stage and has recently hired several advertising agencies to help devise a new A&P strategy. It also seems to be moving away from the one-man promotional strategy and has hired Bollywood and sports stars to endorse its products. While we applaud the initial promotional strategy, we believe that its conventional products need require more traditional methods of advertising.

Innovation pipeline is something to boast about

PAL seems quite aggressive in its approach towards innovation, expanding its portfolio despite already having one of the widest ranges in India. In the last six months, it has launched several new products ranging from *atta* noodles to new beauty products such as Sheetal Oil and Kajal. In its Foods portfolio, it plans to start producing Patanjali Ketchup, Medicated Juices and Drinks, along with Amla Jeera Powder. It has plans for a foray into childcare, cosmetics products and health supplements early in 2016. The plan is to launch the baby care segment under its 'Shishu Care' brand, beauty care products under its 'Saundrya' brand and health supplements under its 'Power Vita' brands. PAL also intends to introduce *Khadi* clothes for yoga practitioners as a whole new division.

Fig. 36: Innovation pipeline

Date	Introduction
Nov-15	Patanjali noodles
Nov-15	Pulses
Jan-16	Baby care products
Jan-16	Beauty care products
Jan-16	Health supplement powder
Jan-16	Sheetal Oil
New Innovations	
	Khadi clothes
	Patanjali Ketchup
	Medicated Juices
	Medicated Drinks
	Amla Jeera Powder
	Seabuckthorn Oil

Source: Nomura research

In summary, PAL has acted quite differently from other FMCG companies and seems to understand its target audience (urban consumers in the mass to middle class) clearly. It seems that the company is sure that it is not looking for premium positioning and has been able to differentiate itself via its no-gimmick policy and keeping things simple, even in promotions, where it banks heavily on the mass appeal of Baba Ramdev and on word of mouth. Distribution has been built up through e-commerce and modern retail techniques, and we wait to see how it expands in rural markets and reacts to the competition's response to its entry into the FMCG space.

If success in Oral Care is replicated in other categories…

PAL operates in several FMCG and food segments. Given the breadth of its portfolio and its attractive price points, we believe this will contribute to its expansion in all HPC and F&B categories. Apart from this, we believe Patanjali Ayurved will be able to capture existing market share as well, especially from the small unbranded companies. Its success in the Oral Care, Dairy and OTC segments so far and ITC's FMCG division's progress substantiates our view further.

Oral Care, Dairy and OTC businesses are already successful
Patanjali was able to capture significant market share in the Oral Care, Dairy and OTC segments in FY15-16. Its Dant Kanti product in Oral Care, Cow's Ghee in Dairy and *chyawanprash* in OTC products already account for cumulative annual sales of around INR2.5bn, despite being cheaper than most other products in the market. We estimate that PAL already has 9-11% market share in the OTC vertical, and is gaining share quickly in the oral care and dairy segments.

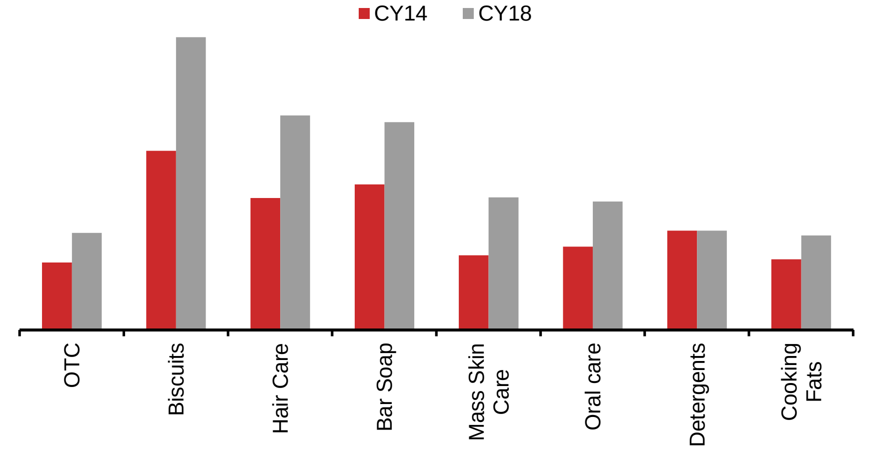
Another ITC in the making…
ITC too in the last 10 years has achieved revenues close to INR10bn from its FMCG business due to its wide product portfolio and aggressive A&P spend, and we see no reason why PAL cannot achieve such success through its innovations and product line.

Extrapolating 3% market share in oral care across all categories implies revenues of INR85bn by FY19
Using Euromonitor forecasts for FY19 for most category sizes, if PAL is able to achieve a a 3% market share in each of its categories, it is possible that revenues could touch INR85bn. This would imply a five-year revenue CAGR of 48.2%.

Most categories where PAL operates, such as OTC, Biscuits, Hair Care, Oral Care and Cooking Fats, are growing swiftly and should rise at CAGRs of 8-15% by CY18F. Due to this category expansion, even a 3% share in all categories should lead to a considerable revenue boost.

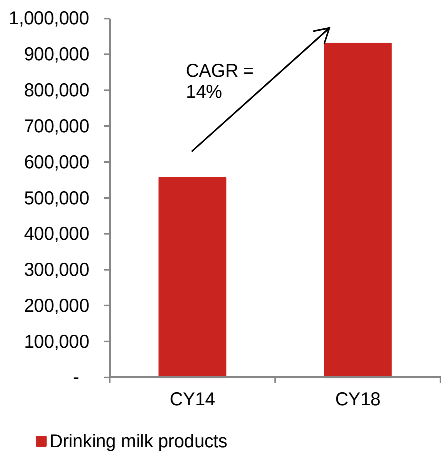
In this case, the majority of revenues should come from Dairy, one of the largest FMCG segments, estimated by Euromonitor to grow at a CAGR of 14% by CY18F. Patanjali Ghee is one of the popular products sold in this segment.

Fig. 37: PAL is present in fast growing categories, which supports growth
Current market size and expected category size



Source: Euromonitor, Nomura research

Fig. 38: Dairy being the largest
Dairy expected growth

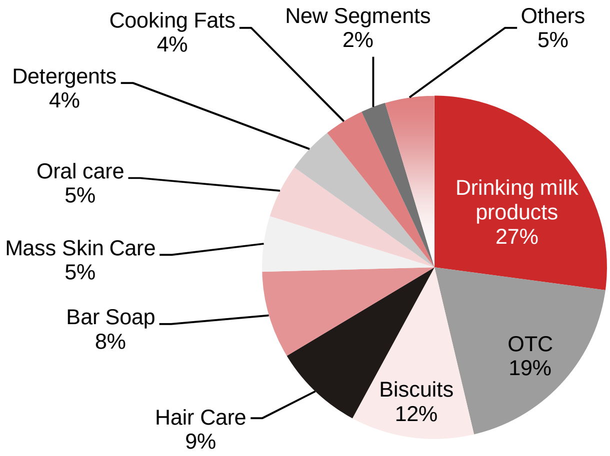


Source: Euromonitor, Nomura research

The company expects its ghee category to contribute ~20% of total revenues in FY16. Given the size of the milk category in India (under which the ghee category falls), this trend can be expected to continue with the group's share of drinking milk products contributing the most revenue, followed by OTC and biscuits in FY19. While volume drives revenue in the drinking milk and biscuit segments, we believe PAL will also command a a larger share of the branded OTC market by FY19.

Fig. 39: Dairy to be the largest contributor to total revenues

FY19 revenue breakdown by category



Source: Nomura estimates

We believe the company's expansion further into new categories and the deepening of product offerings in each offers key potential upside to these numbers.

Changing the face of FMCG in India

Companies have already started to react

In response to the new competition, companies have already started reacting, either through trade discounts on existing products or product innovations in the herbals and naturals space. Emami has several launches under its Zandu brand, including its recently launched Honey. HUVR has resurrected its herbal brand, Ayush, acquired a new brand, Indulekha (see *Quick Note: HUL acquires Indulekha*, 17 December 2015), and has further plans to increase its natural offerings. GCPL too has launched a *neem* mosquito coil, creme hair colouring containing coconut oil and new variants in natural soaps. We expect to see further activity on this front in the coming months.

Companies such as HUVR are still growing faster than the industry (it is achieving volume growth of 6% compared with an industry average of 3%) and are able to hold on to their market share, but overall the theme of using natural ingredients in products seems to be working.

We believe that Patanjali will not be a threat to the existence of the market leaders, given its lack of depth in the product portfolio and current lack of a rural sales presence. However, we believe the pace of market share gains for leaders and other large companies in the space will be affected by PAL's entry. We have already seen this in Oral Care.

Focus on Ayurveda to increase

The penetration level of ayurvedic products is still quite low in India, and new entrants should help expand this market. Given the initial response of consumers to such products, we expect several innovations in this direction.

No more anchor products

Previously, market leaders such as Britannia Industries and Colgate Palmolive acquired significant market share through their anchor products in Biscuits and Toothpaste. This set the trend across companies to develop a core brand, and sub-variants around it. Patanjali has disrupted this trend, being able to gain market share and loyalty despite not having a focal brand. This we see as an opportunity for several small and new companies wanting to enter FMCG.

In the end, FMCG gains

In our view, the rise of PAL in India has set a new trend across consumers and companies. With increased innovation, consumers are getting the maximum choice and we expect to see them moving towards consumption of branded products, a positive for the industry in the long term. For the companies on the whole, we believe that this trend is a key positive, given that natural products can be priced at a premium to other products in the portfolio, which allows for margin expansion.

We expect industry consolidation in the long term

The emergence of PAL as a large participant in the consumer space should also lead to consolidation among categories, with small regional brands with no clear positioning making their exit. We have seen this trend before, when Dabur's oral care sales started to pick up and small companies such as Anchor and Ajanta withdrew from the category.

Fig. 40: We expect PAL's entry to lead to consolidation, as seen in Oral Care

Oral Care market shares

	Market Share (%)	
Brand	**2008**	**2015**
Colgate	45	57
Unilever	21	21
Dabur	7	12
Patanjali	0	4
Others	**27**	**6**

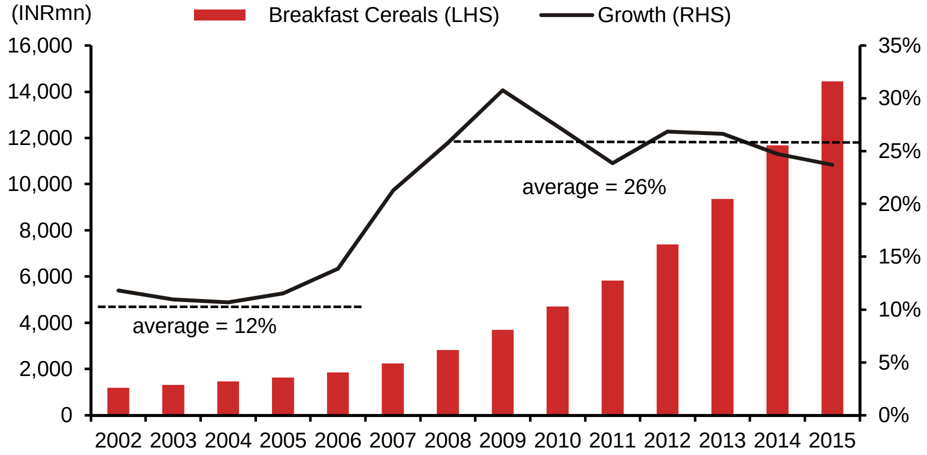
Source: Euromonitor, Nomura research

Intense competition sometimes leads to category growth

As mentioned above, our view is that when consumers are offered more choice, especially at affordable prices, one can expect the category to expand as more consumers enter the space. For example, Euromonitor market data for the Breakfast Cereals category in India show that during the period 2002-06, the category grew at an average rate of ~12% pa. Since then, with the advent of private labels and the development of new sub-categories (such as oats), the average year-on-year growth rate has risen to 26%. We believe this increase has been driven by new competition in the category. PAL's entry into the space could lead to a similar trend, in our view.

Fig. 41: Entry of private labels in the breakfast category helped increase growth

Breakfast cereals - Market size vs. Growth



Source: Euromonitor, Nomura research

Winners and losers

While we do not expect PAL to displace the current market leaders, we expect the pace of market share gains for a few companies under our coverage to slow considerably. We analyse the near-term impact of PAL's entry and possible dominance in a few categories in the HPC and the F&B space on consumer companies using the following metrics:

- **Overlap in markets and key products:** This metric compares companies under our coverage with PAL on the basis of similarity in target markets and key products. For example, we consider Dabur, Emami and HUL to be key participants affected by this metric, given the 'Indian-ness' of their portfolio whereas others such as GCPL should not be affected to such a great extent. If and when PAL enters the malted drinks space (expected launch due soon), we would expect GSK Consumer to be affected.
- **Current position in the market:** We believe those companies with leadership positions in their target markets, along with a presence in a single category, will not be upset to such a great extent by PAL's entry, because given PAL's current strategy of exploring breadth rather than depth, it would be difficult for it to acquire a significant share in any category. While Patanjali might be successful in gaining market share, we presume these gains will come from the smaller companies rather than the FMCG majors. Apart from this, those present in single categories will be able to employ aggressive tactics to maintain market share. For this reason, we consider companies such CLGT, BRIT and GCPL to be well placed.
- **Innovative ability**: Dabur has an innovation-rich pipeline, as does Emami. In our opinion, CLGT has been a laggard in the natural space and might be affected by this trend.
- **Focus on** '**premiumization**': Given our assumption that PAL, with its simple packaging and affordable pricing compared with peers, is targeting low- to mid-level urban consumers, we believe companies with a premiumization focus will be able to sustain their existing market share. Companies with a complete portfolio targeting the upper end of urban consumption, with a key focus on premium products, are less threatened by PAL, in our opinion, as they target different consumers. Companies like BRIT and HUVR are targeting top tier urban consumers with different, higher-quality products and better packaging. PAL's preference is to focus more on customers looking for value.
- **Ad spend**: We believe companies such as HUVR and ITC, which capable of adjusting their ad spend based on the current market scenario, both in terms of demand and competitive intensity, are placed at an advantage to other peers.
- **Aggression in the market (historical)**: In the past, companies such as HUVR and CLGT have been able to ward off possible new entrants, cases in point being Nirma in 1980 and P&G in 2014.

HUL vs Nirma: A detergent war

Since its entry in 1957, HUVR has been the undisputed leader in the detergent space, with Surf being one the largest-selling detergents in India. In the 1980s, Nirma Chemicals launched an affordable detergent (Nirma) that attracted the middle and lower-income segments, and was then able to gain market leadership by 1985. However, HUVR, given its scale and expertise, was able to respond by launching its own lower-priced options (Wheel and Rin) and so successfully regained its lost market share.

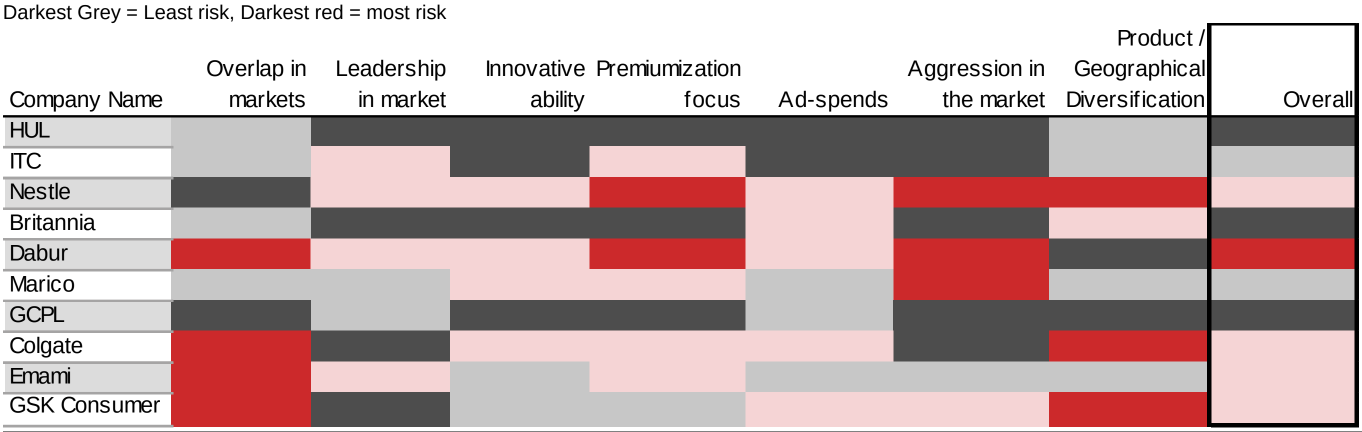
Colgate vs. P&G in toothpastes

P&G launched its Oral B toothpaste in 2013. In response, Colgate was very aggressive in its approach: barely a week later it had flooded the market with its products and raised its promotional intensity across all its outlets. The company hiked its A&P spend by over 30% to counter the new entrant. It showed its resilience before this as well, warding off Pepsodent (HUL) and later low-cost brands such as Anchor.

Product or geographical diversification: Companies such as GCPL and Dabur, which have significant revenues from their international business, will be less affected by new competition within the India region.

Fig. 42: We assign maximum risk to Dabur, Marico, Colgate and Emami

Darkest Grey = Least risk, Darkest red = most risk



Source: Nomura research

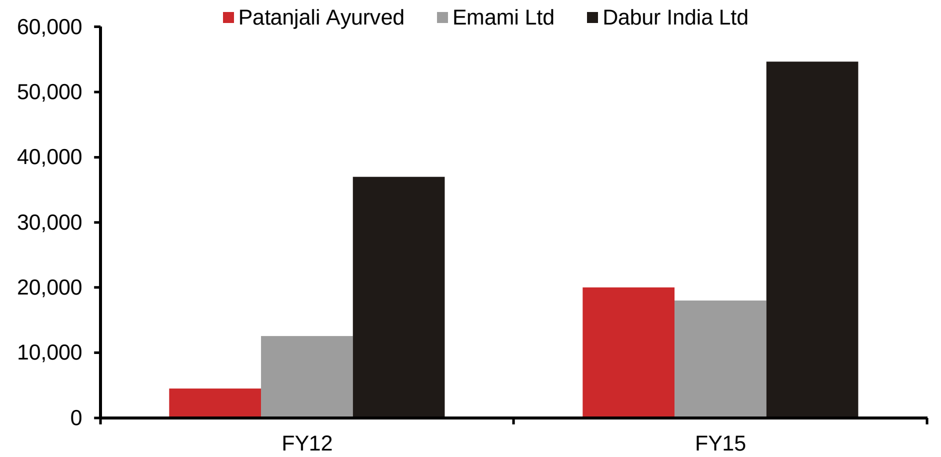
Fig. 42 attempts to judge the possible impact of the rise of PAL in the consumer space on companies under our coverage. Based on our analysis, we judge that Dabur and Emami are at maximum risk to a loss of market share, while HUL, ITC, BRIT and GCPL are far less at risk, considering their product portfolio and leadership position in the market. We consider Nestle to be affected in all categories, apart from infant nutrition.

Smaller companies face a larger threat

Patanjali is targeting the semi-urban population with large size SKUs and basic packaging. Once it increases its distribution footprint to the rural population and expands its packaging to smaller SKUs as well, it could pose a larger threat to companies such as Dabur, Emami and Himalaya, given the overlap of their portfolio and target consumer segments.

Fig. 43: PAL to provide intense competition to Dabur and Emami (INR mn)

Revenues (domestic business) for PAL, HMN and Dabur



Source: Company data, Nomura research

Risks to PAL's growth

Complexities of a general trade supply chain

PAL distributes its products through three main avenues (discussed in detail in earlier sections): its own distribution centres, modern retail chains and e-commerce. However, given its expansion trajectory the company will soon have to move to the general trade where it will need to fight with other multinational corporations (MNCs) for shelf space, and negotiate trade discounts with distributors. Given that companies such as HUL and ITC have spent decades in setting up their distribution networks, and efforts are still active in this direction, we believe it may not be so easy for PAL.

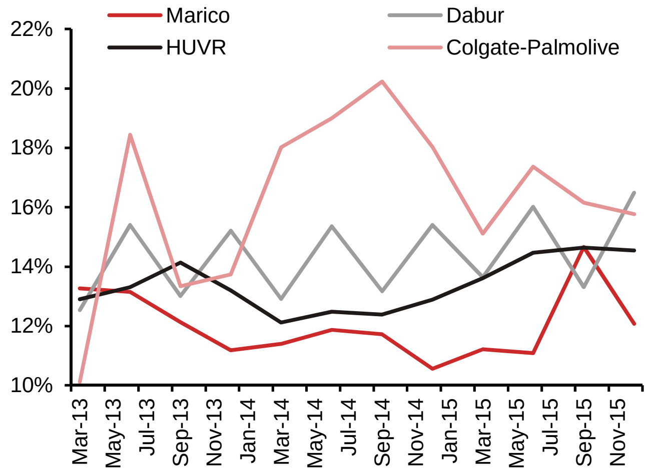
Our reservations regarding the company's foray into general trade are supported further by the issues experienced by ITC when it launched its personal products division in 2007. Retailers refused to stock the ITC personal product brands, Fiama Di Wills and Superia, unless the company upped its retail margins. As a result, the company pushed margins up to 8-10% from the usual 6%.

Competitive intensity increases

As discussed in earlier sections, companies such as HUVR, GCPL, DABUR and HMN have already introduced new products in the market to take advantage of the increasing focus on naturals, and in response to PAL's main products. In the past, companies have ambushed new competition either through product innovation or aggressive marketing, and we might see more of this in the near future.

Fig. 44: With competition rising, we see companies hiking their A&P spend…

A&P spends as % of sales of HPC companies



Source: Company data, Nomura research

Fig. 45: …as well as sprucing up their innovation pipeline

Recent innovations by company

Company	Action
Emami	Several launches under its Zandu brand, Zandu Honey being the latest
HUVR	Resurrected Ayush brand; acquired Indulekha brand
GCPL	Launched *neem* mosquito coil, coconut oil hair colour

Source: Company data, Nomura research

Regulatory risk remains

PAL has already been involved in controversy regarding the launch of its Atta noodles in November 2015. The Food Safety and Standards Authority of India (FSSAI) issued a 'show cause' notice to the company, because it had launched the noodles brand without the food regulator's approval.

Several companies in the packaged and processed food industry have been affected in the past, with revenue growth being hit for several years before seeing a rebound, if there is one. We list below a few that we consider relevant to PAL.

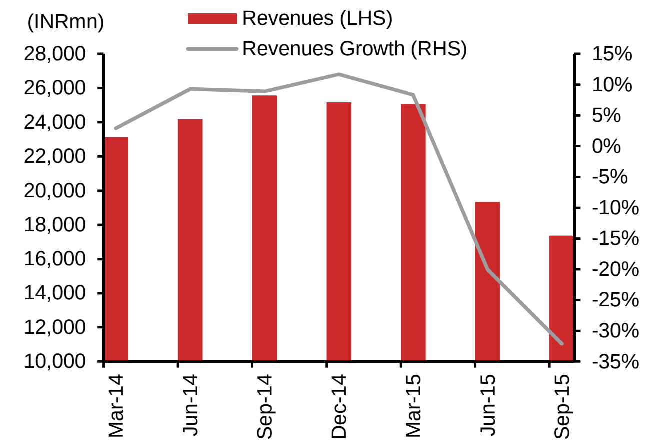
Nestle India (NEST IN, Buy): Instant Controversy over Instant Noodles

In June 2015, Nestle India came under regulatory scrutiny and had to withdraw its popular instant noodles brand 'Maggi' from the shelves, because the product was not in line with prescribed regulations. The matter of whether the product contained higher-than-permissible levels of lead and traces of monosodium glutamate (MSG) was taken to court, the company was found not to have adhered to labelling standards and had also launched an Oats variant without approval.

Nestle India agreed to repackage the product and withdraw the Oats variant. Regarding the levels of lead in the noodles, this matter was taken to court where Maggi was declared safe, and it was launched six months later in November 2015. However, the regulator has taken the matter to the highest court in the land and the case is still in progress at the time of writing this report.

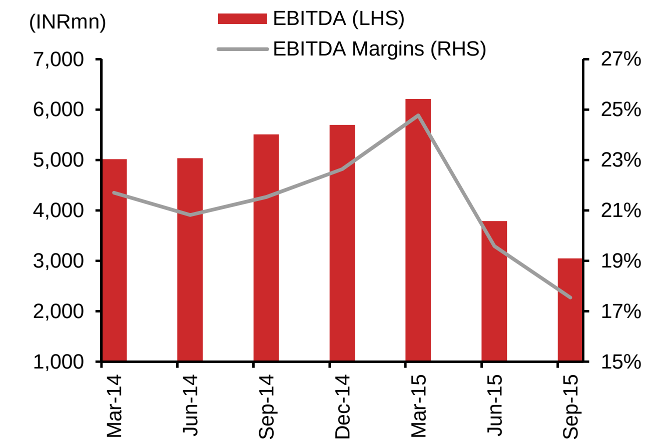
As a result of the controversy, Nestle India sales dipped significantly in FY16, as Maggi contributed ~25% to the top line.

Fig. 46: Revenues vs growth for Nestle after the Maggi scandal



Source: Company data, Nomura research

Fig. 47: EBITDA vs EBITDA margins for Nestle after the Maggi scandal



Source: Company data, Nomura research

The Cadbury story: lessons to be learned

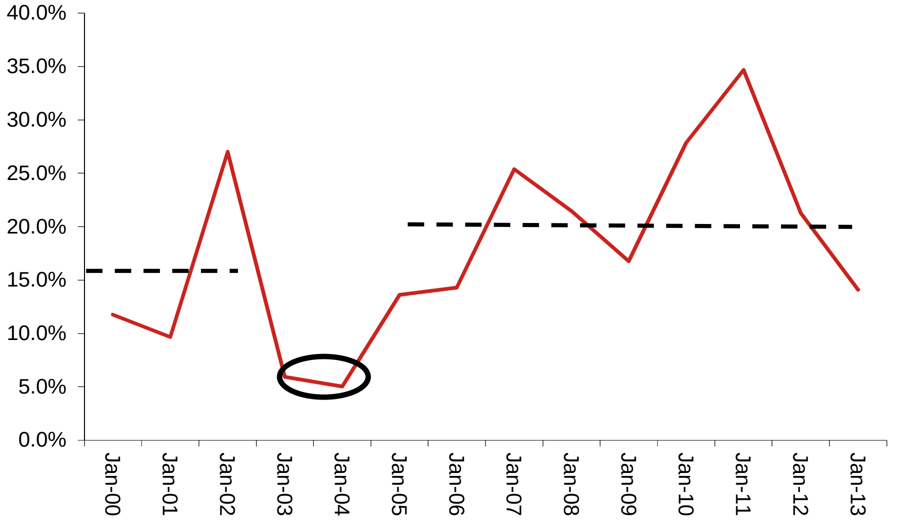
In October 2003, the chocolate giant's reputation was marred when worms were found in its chocolate across several cities in Maharashtra state (eg, Mumbai and Nagpur) and other states such as Karnataka.

Nestle sought to blame improper storage by the retailers for the worm infestation, but the Maharashtra FDA did not believe its argument and contended that, even if it were true, it still meant that the company was guilty of inadequate packaging and improper consumer education.

The company was forced to withdraw all chocolate stock from the market and all advertising was withdrawn from the media for nearly two months.

Sales of the brand withstood a heavy beating and the company reported revenue growth of just 5.5% in both CY03 and CY04 compared with the average of 16% revenue growth for the prior three years.

Fig. 48: Cadbury India: revenue growth



Source: Nomura research, Registrar of Companies

The Coca Cola pesticide issue

In 2006, India's Centre for Science and Environment (CSE) alleged that Coca Cola and Pepsi were among a dozen soft drinks that contained dangerously high levels of pesticides and insecticides. This led the state of Kerala to issue a complete ban on the sale of soft drinks, including Coca Cola, in the territory, which prompted other states such as Gujarat to consider a partial ban on cola sales.

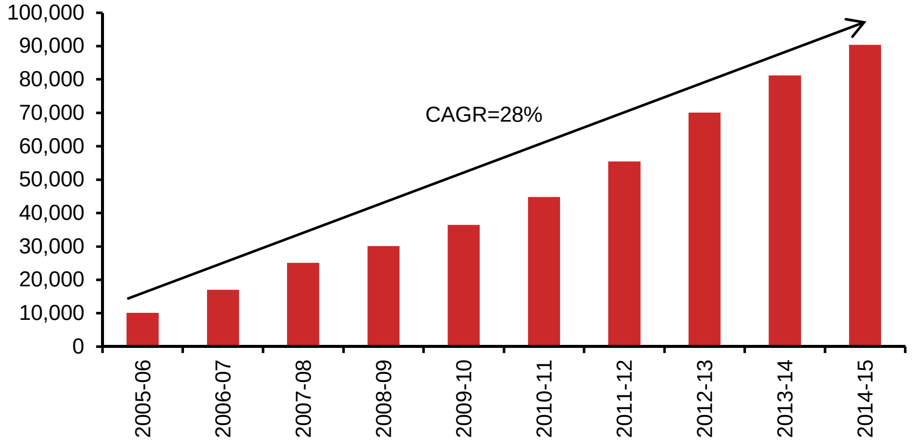
In summary, we believe that PAL will not be a threat to the existence of the market leaders, given that its portfolio lacks the depth of others and it lacks a rural distribution channel. Market leaders, with their ability to innovate and act aggressively should be able to defend their market share. However, in our view PAL's entry is positive for the industry: apart from bringing more consumers to the packaged space; it should lead to consolidation among categories, with small regional brands having no clear positioning exiting the market.

Appendix 1: PAL & ITC – the same and yet different?

ITC has rapidly scaled up its presence in its newer FMCG businesses over the last several years, comprising Branded Packaged Foods, Lifestyle Retailing, Education and Stationery Products, Personal Care Products, and Safety Matches and Incense Sticks (*agarbathies*), crossing the INR 90bn mark in 2015 from INR10bn in 2006, according to the company.

Fig. 49: ITC FMCG business: steep growth in a short span of time

In INR mn

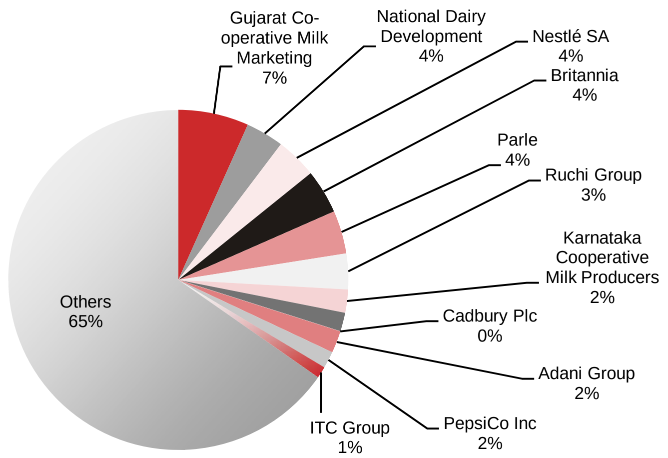


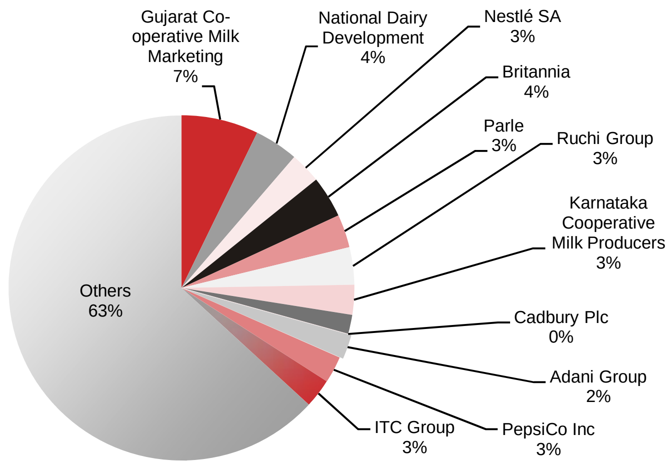
Source: Company data, Nomura research

Packaged Foods business

ITC made a foray into the Packaged Foods business with the introduction of its 'Kitchens of India' ready-to-eat Indian gourmet dishes in August 2001. In 2002, ITC entered the confectionery, staples and biscuits segments. By 2008, the company had introduced 100 differentiated products and five distinctive brands and a significant growth in market share, backed by its distribution reach and consumer acceptance. By 2008, it enjoyed a 45% share in *atta*, 8% share in the biscuits market, 17% share in mint candies and 24% share in hard-boiled candies. The company added 1.2mn retail outlets to its FMCG network during 2003-05, the largest by any company in India, according to data provided by AC Nielsen.

Fig. 50: Market share growth in the packaged foods business





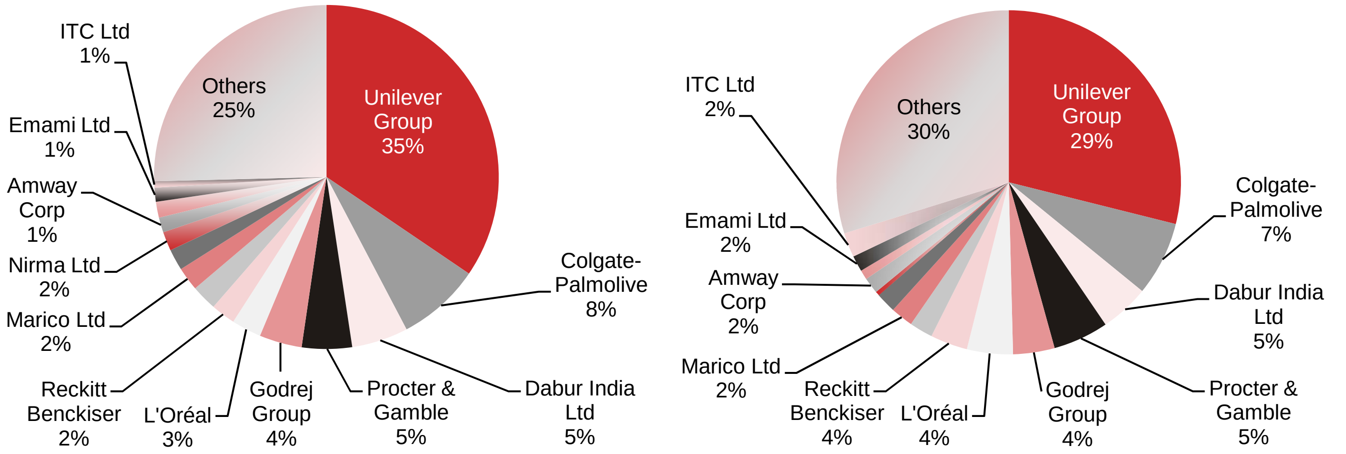
Source: Euromonitor, Nomura research

Beauty and Personal Care (BPC) business

ITC entered the Personal Care business in July 2005. The packaging segment within its paperboards division devised unique solutions across packaging categories. The company's distribution channel assisted growth as well. As a result, ITC's market share in the overall beauty and personal care space has increased from 0.6% in CY08 to 2.3% in CY14. Within this category, ITC has displayed rapid growth in bath and shower, deodorants (occupying ~7% market share now in each) and in hair care as well.

Fig. 51: Market share growth in the BPC business

Market share CY08-CY14

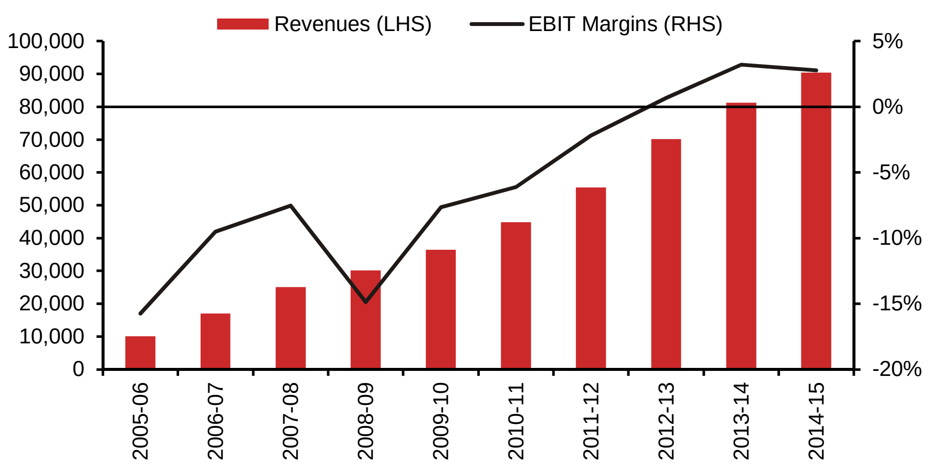


Source: Euromonitor, Nomura research

But growth was driven primarily by aggressive A&P

Although ITC entered the FMCG space in a similar manner to PAL, we cannot attribute the success of the business to its product innovations or unique offering to consumers. The company achieved scale primarily on the basis of volume through aggressive A&P spend and deals with distributors and traders. These efforts are visible in the FMCG business profitability, but ITC has not been able to break even yet.

Fig. 52: ITC's FMCG business has yet to break even due to heavy A&P spend to increase volumes



Source: Company data, Nomura research

Appendix 2: The price differential

Fig. 53: Price differential - products priced at a premium to competitors

Category	Brand	Size (Grams)	Price (INR/100grams)	Premium	Average
Soaps	**Patanjali**	**75**	**25.3**		
	Lifebuoy	125	19.2	-24.2%	
	Godrej No.1	150	30.0	18.4%	
	Medimix	125	28.0	10.5%	
	Lux	300	23.3	-7.9%	
	Cinthol	375	25.6	1.1%	
	Chandrika	350	28.3	11.7%	
	Himalaya	125	32.0	26.3%	
	Hamam	100	26.0	2.6%	
	Margo	100	24.0	-5.3%	
	Rexona	100	24.0	-5.3%	
	Nirma	100	14.0	-44.7%	-1.5%
Hand Wash*	**Patanjali**	**250**	**22.0**		
	Hamam	185	21.6	-1.7%	
	Lifebuoy	185	22.7	3.2%	
	Lux	200	20.0	-9.1%	
	Protekt	250	19.6	-10.9%	
	Santoor	180	22.8	3.5%	-3.0%
Coconut oil	**Tejus**	**200**	**30.5**		
	Parachute	250	30.0	-1.6%	-1.6%
Ghee	**Patanjali**	**500**	**46.0**		
	Amul	1,000	39.5	-14.1%	
	Gowardhan	1,000	37.9	-17.6%	
	Britannia	1,000	43.0	-6.5%	
	Mother Dairy	1,000	38.0	-17.4%	
	Chitale	1,000	40.0	-13.0%	-13.7%

Source: Bigbasket.com, Nomura research

Fig. 54: Price differential - products priced at a discount to competitors

Category	Brand	Size (Grams)	Price (INR/100grams)	Discount	Average
Dishwash - Bar	**Patanjali**	**175**	**5.7**		
	Vim	130	7.7	34.6%	
Toothpaste	**Patanjali**	**200**	**37.5**		
	Colgate Dental Cream	200	41.0	9.3%	
	Meswak	200	45.0	20.0%	
	Colgate Herbal	200	42.5	13.3%	
	Himalaya	175	45.7	21.9%	
	Babool	180	45.6	21.5%	
	Vicco	200	62.5	66.7%	25.5%
Shampoo*	**Patanjali**	**200**	**37.5**		
	Clear	170	95.9	155.7%	
	Clinic Pls	175	54.3	44.8%	
	Dabur Vatika	180	56.7	51.1%	
	Head & Shoulders	180	75.0	100.0%	
	Himalaya	100	70.0	86.7%	
	Sunsilk	180	58.3	55.6%	82.3%
Detergent - Bar	**Patanjali**	**250**	**6.4**		
	Rin	150	6.7	4.2%	
	Wheel	200	5.0	-21.9%	
	Tide	120	8.3	30.2%	
	Sunlight	150	11.3	77.1%	
	Nirma	200	5.0	-21.9%	13.5%
Face Wash*	**Patanjali**	**60**	**75.0**		
	Fair & lovely	100	99.0	32.0%	
	Himalaya	150	86.7	15.6%	
	Ponds	50	190.0	153.3%	
	Pears	60	106.7	42.2%	
	Garnier	50	164.0	118.7%	
	Everyouth	150	73.3	-2.2%	
	Bajaj Nomarks	50	90.0	20.0%	
	Clean & Clear	100	99.0	32.0%	51.4%
Toothbrush	**Patanjali - Soft Touch**	**1 Pc**	**N.A**		
	Colgate Super Flexi	1 Pc	N.A	70.0%	
	Pepsodent Triple Clean	1 Pc	N.A	60.0%	
	Oral-B Shiny Clean	1 Pc	N.A	80.0%	70.0%
Amla oil	**Patanjali**	**100**	**40.0**		
	Dabur	90	46.7	16.7%	
	Bajaj	100	42.0	5.0%	10.8%
Detergent powder	**Patanjali**	**1,000**	**6.5**		
	Tide	1,000	6.2	-4.6%	
	Surf Excel	1,000	19.2	195.4%	
	Wheel	500	4.6	-29.2%	
	Ariel	1,000	18.5	184.6%	
	Henko	3,000	13.8	112.3%	
	Nirma	1,000	4.3	-33.8%	
	Rin	1,000	7.6	16.9%	63.1%
Hair conditioner	**Patanjali**	**100**	**60.0**		
	Clinic plus	80	78.8	31.3%	
	Dove	75	110.7	84.4%	
	Garnier	90	77.8	29.6%	
	Head & Shoulders	80	81.3	35.4%	
	Loreal	175	97.1	61.9%	
	Pantene	175	68.6	14.3%	
	Sunsilk	180	79.4	32.4%	41.3%
Marie Biscuits	**Patanjali**	**300**	**10.0**		
	Britannia	250	10.8	8.0%	
	Parle	250	10.8	8.0%	
	McVities	300	10.0	0.0%	
	Sunfeast	200	10.0	0.0%	4.0%
Honey	**Patanjali**	**250**	**30.0**		
	Dabur	500	39.8	32.7%	32.7%
Corn Flakes	**Patanjali**	**500**	**29.0**		
	Kelloggs	475	33.5	15.4%	15.4%

Source: Bigbasket.com, Nomura research

Appendix A-1

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Colgate-Palmolive (India)	CLGT IN	INR 843	18-Feb-2016	Reduce	Neutral	29-Jul-2013	N/A
Dabur India	DABUR IN	INR 244	18-Feb-2016	Buy	Neutral	30-Apr-2014	N/A
Godrej Consumer	GCPL IN	INR 1208	18-Feb-2016	Buy	Neutral	14-Mar-2014	N/A
Emami	HMN IN	INR 1014	18-Feb-2016	Neutral	Buy	28-Sep-2015	N/A
Hindustan Unilever	HUVR IN	INR 827	18-Feb-2016	Buy	Reduce	03-Aug-2015	N/A
ITC	ITC IN	INR 305	18-Feb-2016	Reduce	Neutral	10-Jun-2015	N/A

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