



Capital
— SPROUT —

NEWSLETTER

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The Chairman's Message



Greetings from Capital Sprout !

It gives me pleasure to share with you January-2023 issue of Capital Sprout's Wealth Bulletin. Where this month's bulleting is about Fast-Moving Consumer Goods (FMCG) & importance of this sector in financial market & overall economy of the country.

We have been witnessing many global unprecedented events since 2020 viz. Corona virus, Global recession, Russia-Ukrain War, Rising inflation & interest rates, Downfall of European economy and what not.. Amongst all, Corona Virus has changed the whole world in all aspects. Many giant economy like USA, CHINA, UK, JAPAN, INDIA completely stopped their business activities since long period of time. But one sector alone stands strongly against this lockdown is Fast-Moving Consumer Goods (FMCG). FMCG products are in daily need of human being irrespective of age, cast, country, culture, earning. All country had allowed the production, distribution, wholesale & retails sales of FMCG products in restricted manner during the lockdown period also.

But Covid-19 has also changed the consumption pattern, purchase pattern of consumers which forced FMCG industry to change their Business model drastically. Consumers prefer bulk purchasing and keeping buffer stock of non-perishable items at home to tackle lockdown like situation, also prefer on-line purchasing etc. FMCG Company is also providing on-line & off line options to consumers. In short, both consumer & FMCG industry have changed their model according to changing time.

This bulletin will look deeply in importance of FMCG sector in economy of the country, potential of this sector in overall growth of economy and importance of this sector in Capital Market.

An effort has been made to present comparative analysis of FMCG Market size across world's major economy, India's growth story of FMCG sector, analysis market share of FMCG products in India. Historical stock market return of FMCG index of some of world's giant stock market, & FMCG stock of Indian company

I hope readers find this bulletin useful and help them understand FMCG sector in Equity market & Mutual fund industry.

CA DR Rajesh Khandol



What is FMCG product?

Fast-Moving Consumer Goods (FMCG) those products which are always highly in-demand, sold quickly and affordable to common people. Such items are considered “fast-moving” as they are quick to leave the shelves of a store or supermarket because consumers use them on a regular basis. As its name suggests, FMCG goods are consumed rapidly hence it's purchased frequently, are priced low, and normally it sells in large quantities. Usually, FMCG products have low profit margins and high-volume sales.

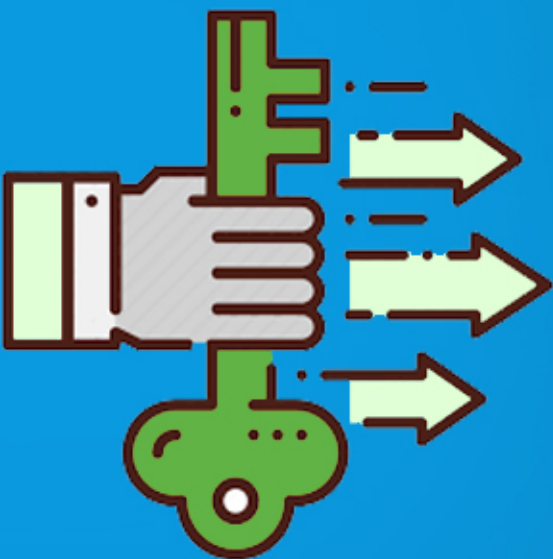
One of the major factors drives the growth of the FMCG market is ever increasing global population coupled with rising disposable income & purchasing power. Furthermore, these goods are an essential part of daily life of every human being irrespective of the rich-middleclass-poor, child-adult-old age, irrespective of cast, religion etc because usually these items are consumed in daily by a human being. Supermarkets, hypermarkets, grocery stores, online stores, and other retail outlets frequently sell these items.

The broader category of FMCG



There are no set rules for categorization of FMCG items. World's different countries categorizes FMCG products according to their economic parameters.

Key Factors



In order to survive in this industry, with ever-changing consumer preferences, it's imperative that constant innovation & changes are inevitable to retain consumers and attract potential customers.

A strong distribution channel plays a crucial role in the FMCG industry as it ensures that the products are delivered to the stores on time.

FMCG – World Scenario

The Covid-19 outbreak & stringent lockdown has restricted economic activity across the world and has impacted the economy's growth of whole world. One sector where most of commercial activities were not stopped even during the peak period Covid is FMCG sector. As it is said earlier, majority FMCG products are daily necessity of human being and hence its manufacturing, logistic, distribution, selling were allowed in restricted & Covid protocol by majority of countries during the pandemic also.



As per alliedmarketresearch.com, a leading US based research firm, the global fast-moving consumer goods market size was valued at \$11,490.9 billion in 2021 and is projected to reach \$18,939.4 billion by 2031, registering a CAGR of 5.1% from 2022 to 2031.

Growth in awareness in consumers about FMCG products, increase in the disposable income of middle-class population, frequent launch of new products by the manufacturers, effective advertisement of the brands, and strong distribution channel system of the FMCG industry boost the market growth.

Name of Country	FMCG Market Size
USA	8,300 USD Billion [^]
CHINA	210 USD Billion
INDIA	142.95 USD Billion *

* Estimated at 14% CAGR growth from actual 110 USD BILLION of 2020 .

[^] Estimated based on actual data of 2020 & growth % estimation.

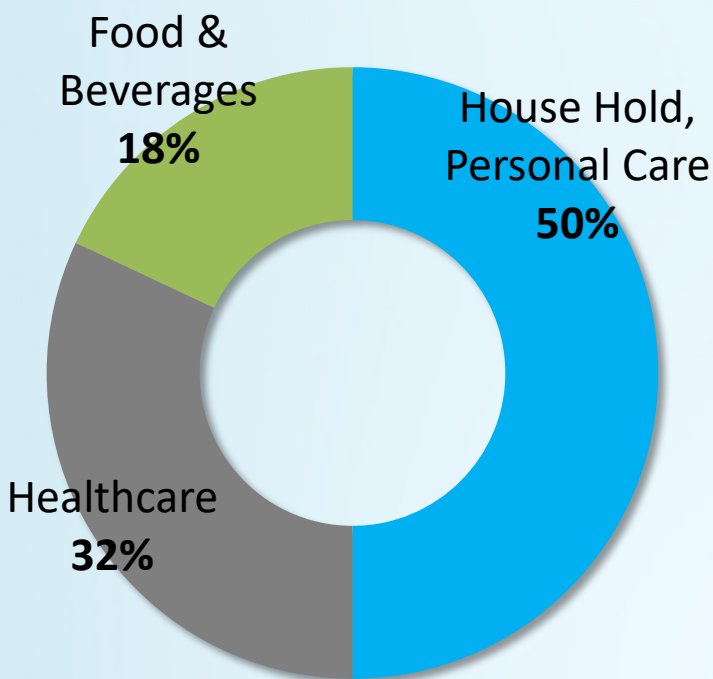
Table clearly shows that USA is way ahead in FMCG market size. It is the largest FMCG consumption market in the world. FMCG sector contributes 6% -7% in GDP of USA.

The FMCG market has grown significantly due to developed markets such as the U.S., China, and others. These are expected to account for over 70% of the global increase in consumer expenditure.

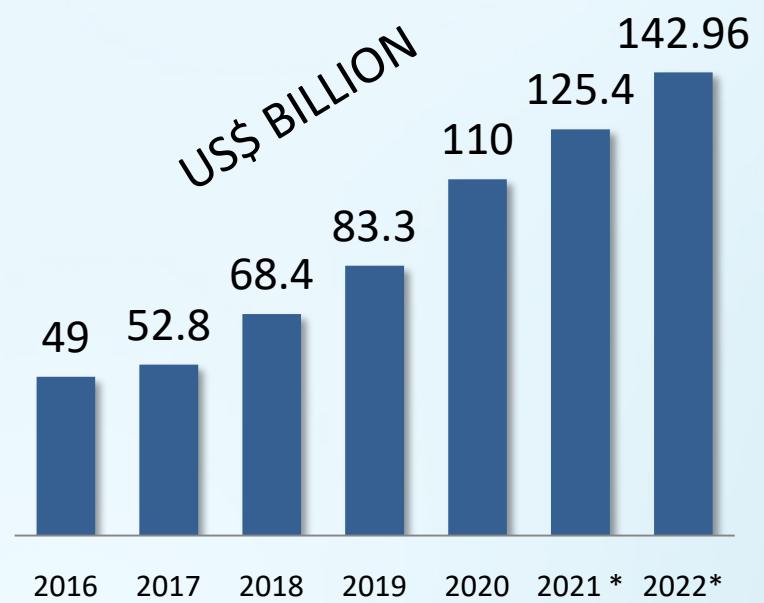
FMCG – Indian Scenario

Fast-moving consumer goods (FMCG) sector is India's fourth-largest sector and has been expanding at a healthy rate over the years as a result of rising disposable income, a rising population, and rising brand awareness among consumers. India's FMCG industry has an added advantage to India's FMCG sector over other countries. India is a country that no FMCG player can afford to ignore due to its middle class population which is larger than the total population of USA. The Indian FMCG market continues to rise as more people start to move up the economic ladder and the benefits of economic progress become accessible to the general public.

Category wise Market Share



India's FMCG Market Size



* Estimated at 14% CAGR growth

Above statistics clearly shows that FMCG sector shifted gear since 2020 and encasing huge population, versatility of culture, increasing demand, brand consciousness amongst higher middle .

Growing awareness, easier access and changing lifestyles have been the key growth drivers for the sector.

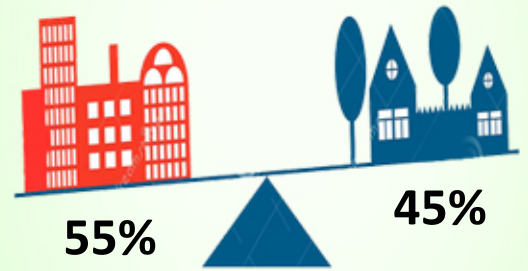


F M C G

Geographical Revenue Share

The urban segment (accounts for a revenue share of around 55%) is the largest contributor to the overall revenue generated by the FMCG sector in India. However, in the last few years, the FMCG market has grown at a faster pace in rural India compared to

urban India. Semi-urban and rural segments are growing at a rapid pace and FMCG products account for 50% of the total rural spending.



Changing Model Of FMCG

Implementing changes in FMCG sector is the key to success of the industry. The traditional model of the FMCG industry in India is changing rapidly & adopting changes from the world. Those who take time in adopting & implementing changes in FMCG industry might face threat of vanishing.

Key Changing Factors Of FMCG Industry



Digital platform of marketing.



E-commerce & On line retail store .

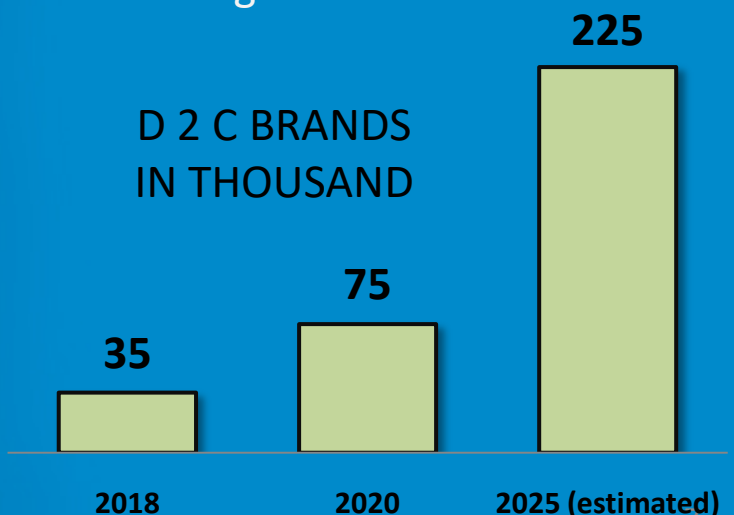


D2C (direct to consumer) model.



Shopping malls in Tier-3 & Tier-4 cities & small town in India

These are some of the key statistics & chart showing how FMCG industry changing in terms of Sales & Marketing





FMCG stocks of India

Historical Performance Of FMCG Index

Country	FMCG Index – Absolute Return		
	1 Year	3 Years	5 Years
USA	-12.95%	41.92%	37.05%
INDIA	25.19%	44.19%	55.72%
SINGAPORE	-0.02%	-0.06%	-19.30%
UK	-4.62%	2.65%	-1.55%

Table shows how FMCG sector has outperformed in terms of share price as compared to other equity market of world's strong economy.

Historical share price return of some of the prominent FMCG stocks of India company

CAGR % RETURN AS ON 12-02-2023

Company	1 Year	3 Year	5 Year	10 Year
HUL	14%	5%	14%	19%
Nestle	7%	5%	21%	15%
Colgate	1%	3%	6%	8%
Dabur	-5%	2%	9%	15%
Marico	-1%	18%	9%	15%
Godrej Consumers	14%	15%	7%	15%
Tata Consumer Products	4%	22%	21%	18%

The fast moving consumer goods (FMCG) space has been out of action for a long time in the stock markets. Over the last two years the Indian stock markets have been dominated by stocks from the Pharma and IT sector initially. With both these sectors going out of favor on US regulatory concerns, the action has shifted in the last one year to sectors like automobiles, banking and capital goods.

Performances



Equity Market

Indices	01 st Jan, 2023	31 th Jan, 2023	High	Low
BSE S&P SENSEX	60,871.24	59,549.9	61,343.96	58,699.2
NIFTY 50	18,131.7	17,648.95	18,251.95	17,405.55

Mutual Fund

AUM Data of Mutual Fund for the Month of January 2023

(INR. In Lakh Crore)

Particulars	AUM As On 31-12-2023	Fresh Fund Mobilize During Jan – 23	Redemption During Jan -23	AUM As On 31-01-2023
Total AUM of all mutual funds scheme	39.20	8.67	8.56	39.31
AUM of equity oriented (growth) schemes	14.94	0.29	0.17	15.06

Source: Association of Mutual Fund of India (AMFI)

Performances

SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
Jan-23	13,856	6,73,775

FII & DII Inflow/Outflow Position

FII's Inflow has again started in the month of **Jan-23**., FII'S Net outflow in Cash segment **Apr-22 to Jan-23** is approx **Rs. -1.90 Lakh crore**. DII's Net Inflow in Cash segment during **Apr-22 to Jan-23** is approx **Rs.2.05 Lakh crore** which shows the positive impact in Mutual fund industry.

Inflow/Outflow position in the month of Jan - 2023

(INR. In Crore)

For The Month Of Dec 2022	Gross Purchase	Gross Sale	Net
FII	1.55 Lakh	1.97 Lakh	-0.41 Lakh
DII	1.44 Lakh	1.10 Lakh	0.33 Lakh

