

FMCG Review: H1FY21

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FMCG, as defined under IIP classification of consumer non-durable goods includes vegetable oils, dairy products, pharmaceutical drugs, beverages, cereals among other products. This is one segment that was considered to be under the essentials category and ideally should have been less affected by the lockdown than other industries. However, as will be seen there has been a differential impact on various industries in this segment mainly due to the demand factor as consumption levels were affected due to the restrictions in movements as well as supply side issues in terms of logistics.

Consumer non-durables index saw a y-o-y fall of 7.8% for the period of H1FY21 in comparison with a rise of 5.1% in H1FY19. It is to be noted that it registered a growth of 4.1% in September compared with a negative growth of 2.3% in August 2020. This reflects improvement in consumer demand.

An analysis of a few components falling under IIP consumer non-durables is provided in this report.

Meat related products

The de-growth in all kinds of meat including that of fish, goat, shrimps/prawns and others was backed by apprehensions surrounding the spread of Covid-19 through consumption of non-vegetarian food. Meat of goat (fresh or chilled) fell sharply by 99.4% in H1FY21 to 147.7 tonnes compared with production of 25,966.5 tonnes in H1FY20. Similarly, fish meat and fillets (frozen/chilled) fell by 66.8% y-o-y to 36,579.9 tonnes in H1FY21.

Vegetable Oils

Groundnut oil & soyabean oil – Contrary to expectations that soft oils experienced a spurt in demand during lockdown as at-home consumption of food increased, groundnut and soybean oil witnessed a decrease in production in H1FY21 by 60.2% and 46.2% respectively. This fall was influenced by limited operations allowed for airlines (major consumer), hotels & restaurants.

Refined palm oil – The production of palm oil fell from 17.2 lakh tonnes to 15 lakh tonnes mainly due to muted demand from bulk consumers – Hotels, Restaurants & Cafes (HoreCa) segment as hotels and restaurants were completely shut in April and May owing to Covid-19 induced lockdown. Even though hotels & restaurants could resume operations with certain restrictions from June, they continued to witness muted demand from consumers due to fears of virus contraction. Most of the business was confined to takeaways and home delivery.

Dairy Products

Milk Powder & Butter – Excessive procurement of milk during lockdown period led to conversion of milk into value added products like milk powder and butter as they have a higher shelf life than milk. The production of milk powder rose from 88.6 thousand tonnes in H1FY20 to 121.9 thousand tonnes in H1FY21, a growth of 37.5%. Also, butter's production witnessed growth of 30.9% to 48.9 thousand tonnes (earlier 37.4 thousand tonnes).

Ice Cream – Apprehensions surrounding consumption of cold products due to spread of Covid-19 led to a sharp fall of 69.7% in production of ice cream to 37.3 kilolitres in H1FY21 as compared with the earlier production of 123.2 kilolitres in H1FY20. Also the restriction on movement of people for most of this period lowered the demand for ice cream. In the first two months of the financial year there were restrictions on production as well as distribution due to inter-state movement of goods which affected this industry.

Beverages

Non Alcoholic – The production of tea fell by 10.6% during H1FY21 whereas for instant coffee it rose by 3.8%. Aerated drinks/soft drinks (including soft drinks concentrates) witnessed a decline in production by 52.2% mainly owing to contraction of virus due to consumption of cold products. Here too the limited operations of hotels, restaurants and airports/airlines affected demand and hence production.

Alcoholic – The production of different varieties of liquor witnessed a negative growth in H1FY21. It is noteworthy to mention that the Government of India (GoI) had permitted sale of liquor albeit with restrictions from May, 2020 as excise of liquor is one of the major revenue-generating source for state governments. The category of beer and other undistilled and fermented alcohol witnessed a decline of 67.9% to 235.8 thousand kilolitres from 735.6 thousand kilolitres in H1FY20. Similarly, production of wine declined by 22.6% to 15.4 thousand kilolitres from earlier production of 19.9 thousand kilolitres in H1FY20. Therefore, even after opening up this segment due to revenue compulsions, consumption was lower due to the restrictions on movement of people as well as timings for the outlets.

Bottled water – Typically consumption of bottled water should have increased as people became more conscious of hygiene. Contrary to expectations, the production of bottled water fell by 72.8% in H1FY21 to 120.4 thousand kilolitres as compared with 443.2 thousand kilolitres for the same period last year. This decline was again attributed to the lockdown and consequently limitations on movement of people.

Newspapers

The production fell by 35.2% in H1FY21 largely owing to disruption in print and circulation due to Covid-19 induced lockdown. Newspapers were considered to be under the exempted list right from April. However, fear of the spread of virus did lead to deliveries being affected. The closedown of retail vendors affected sale of newspapers which contributed to this decline. Most publications operated their online versions and it was only from June onwards that print copies were selectively distributed in some locations. Also, it is interesting to note that this has been falling on a yearly basis from 2016-17 possibly due to increase in usage of digital newspapers through app and websites.

Pharmaceutical products

The production of anti-malarial drugs increased by a record 334.3% from Rs 54 million in H1FY20 to Rs 218.9 million in H1FY21, this surge in production was led by recommendation of the 'National task force for Covid-19' constituted by Indian Council of Medical Research (ICMR) to use anti-malarial drug, hydroxy-chloroquine for the treatment of a select category of people infected with Covid-19.

On the other hand, production of 'Anti-pyretic, analgesic/anti-inflammatory API & formulations', 'Anti-tuberculosis medicines' (e.g. Ethambutol, Rifampicin, Isoniazid, Pyrazinamide, etc.) declined by 15.6% and 3.8% respectively. It is believed that consumers avoided doctor visits due to fears of virus contraction that could have led to this decline.

Washing & Cleaning

Covid-19 led to increased awareness in terms of hygiene and sanitation which in turn contributed to the increase in production of detergent powder and toilet soaps as they grew by 4% and 12% respectively. Detergent and washing powder increased from 755.9 thousand tonnes in H1FY20 to 786.3 thousand tonnes in H1FY21. Furthermore, toilet soap (including liquid soap and foam) grew from 413.4 thousand tonnes to 463 thousand tonnes in H1FY21.

Oral care

Production of toothpaste declined by 8.6% in H1FY21 to 67.6 thousand tonnes from 73.9 thousand tonnes in H1FY20. As per the trend analysed from 2016-17, this category has been declining y-o-y.

Biscuits & Cakes

The production of biscuits/cookies increased by 8.1% as at home consumption of food spiked during lockdown whereas the production of cakes, pastries & muffins de-grew by 25.7%. Also, the y-o-y growth rates for cakes has been declining from 2016-17. This fall could be driven by consumers becoming more conscious of their health and weight gain, especially during lockdown.

Hair care products

The production of hair care products like hair dye and hair oil fell by 14% and 1.5% respectively. This decline could be attributed to the restrictions on social gatherings that possibly made people less conscious of their physical appearances. Also with most people working from home the use of grooming products witnessed a decline.

Creams & Lotions

The production of creams and lotion for topical application decreased by 55.8% to 68.4 tonnes in H1FY21 as compared with 154.9 tonnes in the same period last year, this fall was led by the discretionary nature of the product. The consumers were likely to curtail their discretionary expenses with reduced income in their hands.

Fireworks/Pyrotechnic articles

Its production fell by 21.2% in H1FY21, the highest y-o-y fall from 2016-17. The decline in first half of FY21 was primarily driven by restrictions on social gatherings such as weddings and ban on fireworks during festive season of Diwali due to health risks associated with air pollution that could worsen the symptoms of Covid-19.

Concluding Remarks:

- In H1FY21, the production of various products like meat, ice cream, soft drinks, fireworks and newspapers fell mainly due to fears of virus contraction. Similarly, discretionary products used for the purpose of hair-care and body creams and lotion declined in H1FY21.
- On the other hand, production of washing and cleaning products grew as people became conscious of health and hygiene. Also, production of certain pharmaceutical product like anti-malarial drug increased.
- Overall, a lot of categories of products in consumer non-durables under IIP were directly or indirectly affected due to spread of the virus and the following lockdown and imposition of varied restrictions.

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