

FMCG INDUSTRY

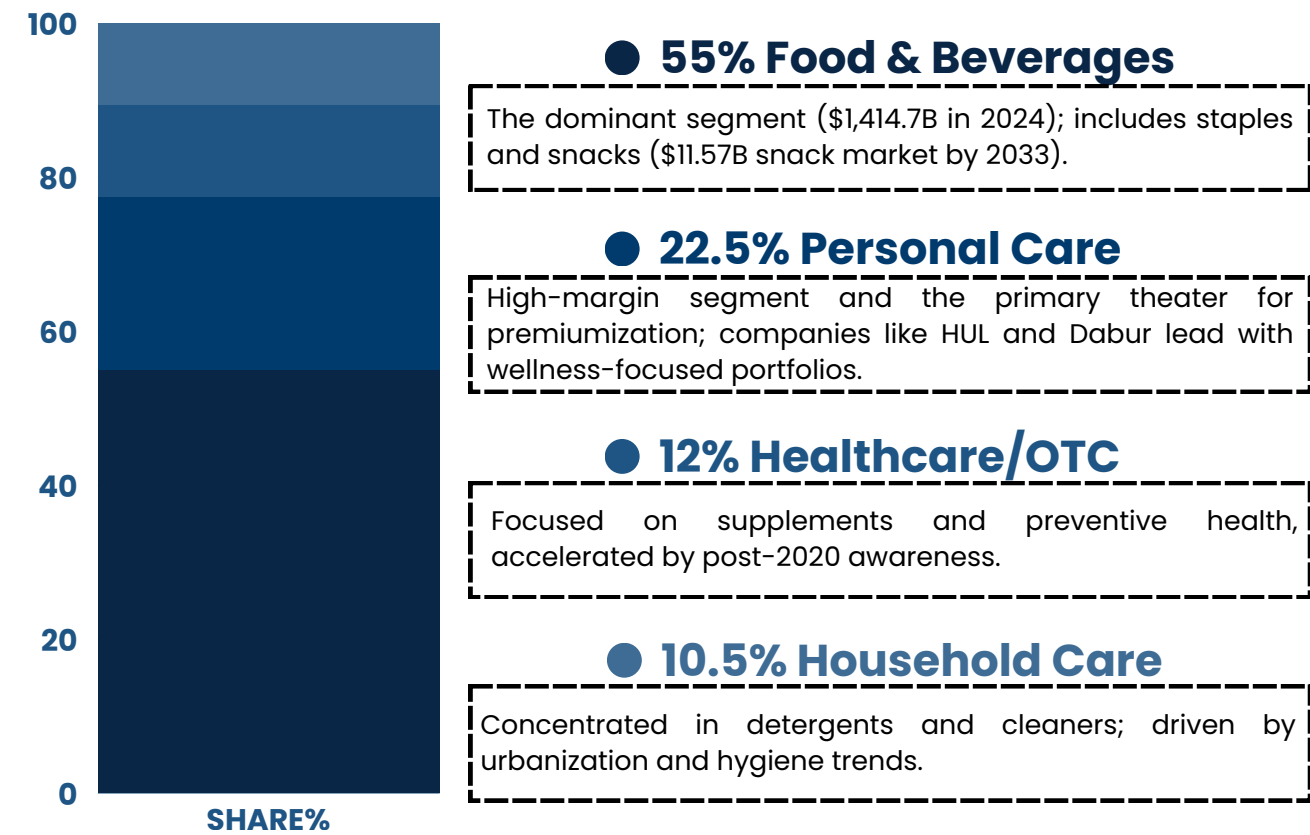
Decoding India's \$615B FMCG Shift: Channels, Consumers & Competitive Moats

MARKET DEFINITION & INDUSTRY STRUCTURE

Fragmented competitive landscape with evolving customer segments, regulatory shifts and structural consolidation pressures

SECTOR SCOPE & SEGMENT DEEP-DIVE

The Indian FMCG sector is the 4th largest contributor to the economy, characterized by high-volume sales and multi-tiered distribution.

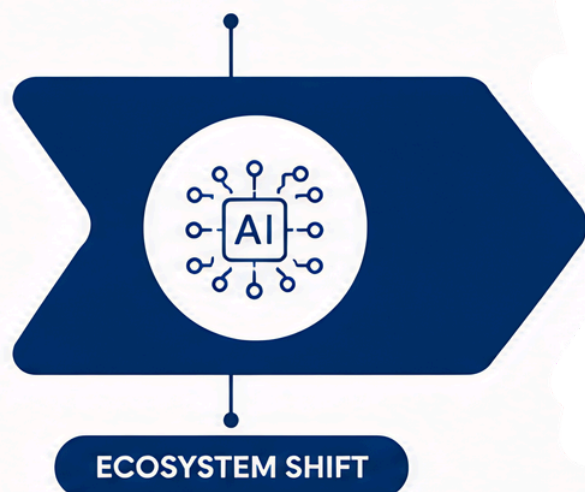


PORTER'S FIVE FORCES ANALYSIS

FORCE	INTENSITY	CONTEXT
Industry Rivalry	Low to High (High)	MNCs vs. Domestic Giants vs. 20,000+ new startups; intense price wars in staples.
Buyer Power	Low to High (High)	Low switching costs; urban buyers leverage e-commerce transparency; rural buyers are price-sensitive.
Supplier Power	Low to High (Medium)	High fragmentation of raw material providers; power only peaks during commodity inflation (e.g., palm oil).
New Entrants	Low to High (Medium)	High barriers for physical logistics; low barriers for digital-first D2C brands (32% CAGR).
Substitutes	Low to High (Medium)	Competition from unorganized "loose" goods in rural areas

VALUE CHAIN ARCHITECTURE & MARGIN DYNAMICS

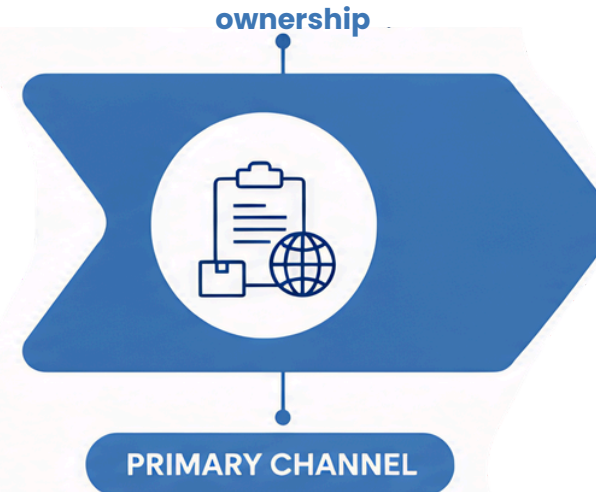
ecosystem is shifting from a linear "push" model to an AI-driven "pull" model



Smart factories utilize digital twins to reduce manufacturing costs by up to 30%.



clearing & forwarding agents manage regional storage and invoicing without taking stock ownership



SECONDARY

	GENERAL TRADE (GT)	~15M Kirana stores (65-70% share) Distributor Margins: 10-12% Retailer Margins: 25-30%
	MODERN TRADE (MT)	Supermarkets (22.8% share) Distributor Margins: 2-4% (offset by high listing fees)
	QUICK COMMERCE (Q-COMM)	Delivering in <30 minutes now accounts for 70-75% of e-grocery orders.

MARKET SIZE, GROWTH TRAJECTORY AND FORECAST

Market expansion accelerated by premiumization, rural consumption and digital commerce growth

MARKET SIZING FRAMEWORK (TAM-SAM-SOM)



TAM – Total Addressable Market

Overall Indian consumer spending is projected to rise from \$2.4 trillion in 2024 to \$4.3 trillion by 2030.



SAM – Serviceable Addressable Market

\$40–45 billion in annual “digitally influenced” spend, representing ~35% of the branded market.



SOM – Serviceable Obtainable Market

Only 34% of the market is currently branded, leaving 66% as unorganized territory for capture.

LONG-TERM MARKET SHIFTS (2026–2033)

- **Premiumization Shift:** Premiumization overtaking pure volume growth
- **Value-Added Consumption:** Consumers paying more for health, quality & experience
- **Market Formalization:** Formalization accelerating shift from unorganized to branded players
- **Regional Brand Expansion:** Regional brands scaling nationally through digital channels

GROWTH TRAJECTORY & OVERALL FORECAST

TOTAL MARKET SIZE (2024)

US\$ 245.39 bn
(₹20.73 trillion)

TOTAL MARKET FORECAST (2027)

US\$ 615.87 bn
(₹53.4 trillion)



The industry is moving into a volume-led expansion phase supported by easing inflation.

SEGMENT-WISE GROWTH FORECASTS (2025–2030)

Segment	Expected CAGR	Key Growth Driver
Food & Beverages	17.00%	Convenience foods, packaged nutrition
Personal Care	18.0%+	Grooming, skincare, premium beauty
Home Care	14–16%	Hygiene awareness, urban penetration
D2C Brands	32.00%	Digital-first niche brands
Quick Commerce	70–80%	Instant delivery habit formation
Online Grocery	24.36%	Tier 2/3 adoption, convenience demand

FUTURE GROWTH DRIVERS & MARKET SHIFTS



Rural Premiumization

- Rural demand growing 3–4x faster than urban markets
- Rural India accounts for 51% share in affordable premium goods



Premium Consumption

- Rising demand for health-focused, functional, and natural products.
- Consumers paying more for premium packaging, convenience, and experience.



Formalization Opportunity

- Only 34% of the market is branded
- Large-scale migration from unorganized to trusted branded players



Digital Commerce Expansion

- Quick commerce & D2C accelerating FMCG adoption
- Tier-2/3 online grocery penetration rising rapidly



Policy & Logistics Tailwinds

- GST reduced logistics costs by ~15%
- PLI schemes boosting domestic manufacturing investments

CONSUMER SHIFT SNAPSHOT



Gen Z & Digital-First Consumers

- Instant gratification and digital-first purchase behavior.
- Loyalty driven by personalization, value alignment, and influencer-led discovery.



Family Households

- Higher basket sizes and subscription based purchasing
- Core volume driver for FMCG expansion



Wellness & Health Trend

- Functional nutrition and wellness moving mainstream
- Niche D2C health brands scaling rapidly

TARGETING TIERS

Affluent Urbanite (Top 15%)

Channel: Quick Commerce
Represents 70–75% of all e-grocery orders

Aspirational Rural (Tier 3+)

Channel: Low Unit Packs (LUPs)
Rural demand outpacing urban for 6 consecutive quarters

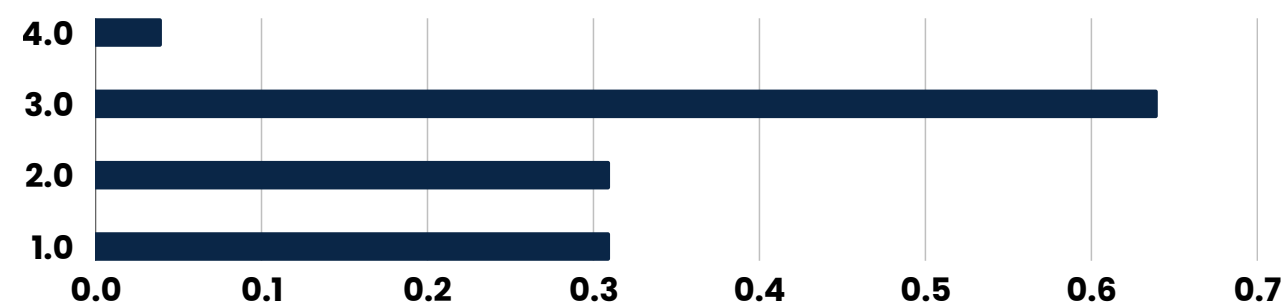
CONSUMER SEGMENTATION & DEMAND DRIVERS

Evolving consumer cohorts driving premiumization, convenience and value-based purchasing behaviors

MARKET BREAKDOWN (STP)

SEGMENT	SHARE / TREND
Urban Revenue	62% of sector
Rural Volume Growth	38% — 6th consecutive quarter outpacing urban
Tier 2/3 Consumption	36% of total
Gen Z Population	36% of India
Family Households	~64% estimated
Premium Segment CAGR	11%
Basket Size Growth (Rural)	+60% since 2022

PURCHASE FREQUENCY SHARE



DEMAND CONTEXT

K-shaped recovery driving dual strategy: Affordable Premiumization & Mass Utility. Global brand loyalty declined for 1st time in 5 years in 2026. Rural purchase frequency stable but with significantly higher volume per transaction.

COHORT ANALYSIS — GEN Z vs FAMILIES

GEN Z (36% OF POPULATION)

- First cohort to prioritize Instant Gratification
- 78% expect loyalty rewards redeemable online immediately
- Moving away from points accrual models
- Values alignment over traditional brand loyalty
- Digital-first discovery & purchase behavior

FAMILIES (~64%)

- Stable brand loyalty patterns
- Higher basket size per transaction
- Bulk-buying via e-commerce subscriptions
- Price sensitivity paired with quality expectations
- Anchor segment for FMCG volume

D2C HEALTH COHORT

- Oziva: 177% volume growth, health-conscious urban
- Wellness segment projected to hit \$586B by 2030
- Digital-first brands acquired by legacy FMCG (HUL, Marico)
- Influencer-led acquisition channels
- Niche → mainstream trajectory

VOLUME GROWTH WINNERS & LOYALTY

18%

Active participation, traditional loyalty (points)

21–22%

Conversion rate, AI-driven personalisation

7%

Conversion rate, traditional mass marketing

3.5×/wk

Urban Q-Comm avg purchase frequency

TARGETING TIERS

Affluent Urbanite (Top 15%)

Channel: Quick Commerce (Q-Comm) | 70–75% of all e-grocery orders

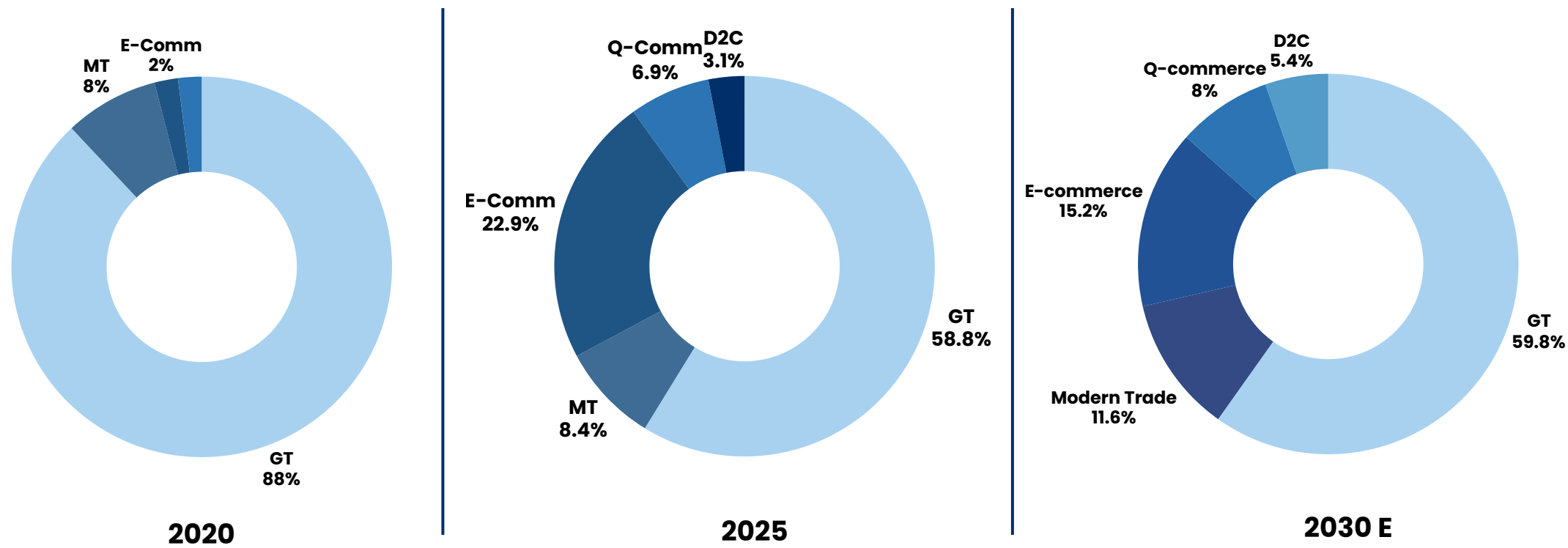
Aspirational Rural (Tier 3+)

Channel: Low Unit Packs (LUPs) | Rural outpacing urban for 6 consecutive quarters

CHANNEL DYNAMICS & ROUTE TO MARKET

Omnichannel evolution reshaping distribution economics, accessibility and consumer purchasing journeys

CHANNEL MIX EVOLUTION



PROFIT POOL (2025)

Channel	Rev Share	Profit Share	Net Margin
General Trade	~75%	~65%	~25–28%
Modern Trade	~10%	~12%	~15–20%
E-commerce	~8%	~10%	~10–15%
Quick Commerce	~4%	~2%	~5–10%
D2C	~3%	~8–10%	~35–45%

CHANNEL CHARACTERISTICS & DEMAND DRIVERS

General Trade

Value: Accessibility, credit, proximity
Adv: Scale, deep rural reach
Limit: Low control, fragmented

- 90%+ village coverage
- Credit ecosystem for kiranas
- Sachets: 30–40% of volume
- Rural penetration engine

Modern Trade

Value: Assortment, experience
Adv: Visibility, premium push
Limit: High trade margins (20–25%)

- Premium: 30–40% of sales
- Urban consumption hubs
- Private labels at 20% CAGR
- Structured retail formats

E-Commerce

Value: Convenience, discounts
Adv: Data visibility, targeting
Limit: High CAC, returns

- Metro+Tier1: ~70% demand
- Search-driven discovery
- Subscription/bulk buying
- Ads+discounts cut: 25–35%

Quick Commerce

Value: Instant gratification 10–20 min
Adv: Impulse sales, premium SKUs
Limit: Margin dilution (40%+ cut)

- Basket: ₹400–700
- Snacks/beverage/care 60%
- Peak: evenings & weekends
- 40%+ CAGR growth trajectory

D2C

Value: Personalization, brand connect
Adv: Full margin + data (60–70% GM)
Limit: Scale constraints

- Repeat cohorts: 30–40%
- Organic, beauty, wellness
- Influencer-led acquisition
- 35–45% net realization

COMPETITIVE LANDSCAPE

Intensifying competition across incumbents, regional brands, private labels and D2C disruptors

CATEGORY LEADERSHIP

CATEGORY	LEADER	SHARE
Detergents	HUL	38%
Detergents #2	P&G	31%
Detergents Regional	RSPL (Ghari)	20%
Biscuits	Parle Products	Leader
Noodles	Nestlé India	Leader
Atta / Cream Biscuits	ITC Limited	#1
Snacks (Bridges)	ITC Limited	#1
Oral Care	Colgate-Palmolive	Leader

STRATEGIC GROUPS – PRICE V/S INNOVATION

Premium Innovators

Nestle HUL (Premium), Tira

Product differentiation, high brand equity

Mass-Market Volume Drivers

Britannia, Parle, Nirma

Distribution depth, economies of scale

Diversified Powerhouses

ITC, Reliance Retail

Cross-segment synergies, capital

Agile D2C Challengers

Mamaearth, Plum, Sugar

Speed to market, consumer data

Regional Efficiency

RSPL, Wagh Bakri

Local relevance, price leadership

PORTER'S FIVE FORCES 2025–2030

Buyer Power — HIGH

Q-Comm & e-comm give consumers infinite options; instant price comparison reduces brand stickiness.

Supplier Power — MODERATE

Input cost inflation in edible oils & packaging INR 245.39B impact has raised supplier pressure.

New Entrants — HIGH

D2C revolution at 32% CAGR has lowered barriers by bypassing traditional distribution networks.

Substitutes — MODERATE

Staples have low substitution; discretionary categories highly susceptible to income shifts.

Rivalry — EXTREME

220,000+ D2C brands + large MNCs = hyper competitive environment with frequent price wars.

KEY INSIGHT

Premium segments are growing 2-3x faster than mass market. Private labels now capture 35-40% of BigBasket sales (Fresho, BB Royal). D Mart's Align Retail hit INR 3,322 Cr in FY25, doubled in 2 years. 52% of Indian consumers have switched to private labels





No single player holds 10%+ overall. Zepto 'Relish' private label hits ₹40 Cr/month, speed of delivery is now a competitive vector equal to brand legacy. 220,000+ D2C brands by 2025.

FINANCIAL PERFORMANCE AND UNIT ECONOMICS

Strong profitability models facing rising costs, marketing intensity and margin optimization pressures

The Indian FMCG sector is characterized by **high return on capital** and **negative or low working capital cycles**, though these are currently under pressure from inflation and marketing intensity.

FINANCIAL BENCHMARKING: SECTOR LEADERS

Financial Metric (FY24-25)	 Hindustan Unilever Limited	 ITC Limited	 Nestlé	 Britannia
Gross Revenue (INR Cr)	60,000+	21,390	19,296	17,295
Revenue Growth (YoY)	2.0% - 6.0%	10.2%	5.9% - 18.5%	17.5% - 18.5%
EBITDA Margin (%)	23.2%	11.2%	21.1% - 23.1%	12.3% - 13.0%
Net Profit Margin (%)	16.6%	15.0% - 17.0%	12.2% - 16.0%	12.3% - 13.0%
ROCE (%)	22.35%	78% (Company)	58.5% - 95.7%	55.5% - 57.8%
ROE (%)	22.35%	27.2% - 48.1%	78.2% - 83.8%	48.9% - 57.5%

DUPONT ANALYSIS: DECODING THE DNA OF RETURN ON EQUITY

HUL DUPONT PROFILE (DEFENSIVE STABILITY)

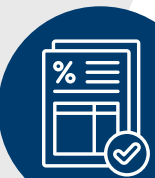
HUL's return profile is driven by stability. Its asset turnover has averaged 0.8x to 0.9x from 2021-2025, reflecting its heavy investment in its massive distribution network of 12 million outlets. With a net margin of ~16.6%, HUL maintains a solid ROE of ~22.35%.

NESTLE INDIA DUPONT PROFILE (EFFICIENCY EXCELLENCE)

Nestlé exhibits a high velocity operating model, with a Net Profit Margin of 12.21%, an Asset Turnover of 2.07x, the highest in its peer group due to fewer SKUs and strong volume velocity, and an Equity Multiplier of 3.32x, resulting in a calculated ROE of 83.77%.

ITC DUPONT PROFILE (MARGIN-DRIVEN)

ITC's ROE is largely driven by strong tobacco margins, while FMCG contribution is steadily increasing. With a Net Margin of 24.76%, Asset Turnover of 0.86x, and a low Equity Multiplier of 1.27x due to its cash rich balance sheet, the company delivers a calculated ROE of 27.22%.



UNIT ECONOMICS: THE P&L BREAKDOWN

The unit economics of a typical FMCG product reveal the sensitivity to raw material costs and marketing intensity.

Cost Component	Percentage of Revenue (FY25)	Strategic Insight
Cost of Goods Sold (COGS)	45% - 60%	Varies by category; Biscuits (Britannia) ~60%, Personal Care (HUL) ~49%.
Advertising & Promotion (A&P)	9.5% - 11.5%	Increasing due to "Q-commerce wars." Marico reached 11.2% in Q4 FY25.
Employee Benefits	4.5% - 8.5%	Relatively stable; HUL ~4.6%, Marico ~7.7%.
Logistics & Other Exp.	11.5% - 14.5%	HUL ~12.3%, Marico ~12.4%. Impacted by rising fuel and e-commerce fulfillment costs.
Operating Profit Margin	18.0% - 23.0%	HUL leads at 23.2%.







ROCE levels are particularly striking, with Nestlé India and Britannia exceeding 50%, justifying their premium valuations (60x-70x P/E). ITC's 78% ROCE reflects cigarette dominance, while its FMCG segment scaled EBITDA at a 21.1% CAGR from FY21-FY24.


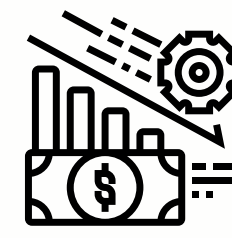
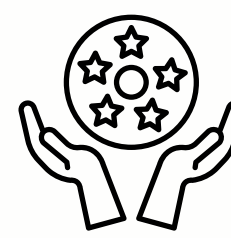
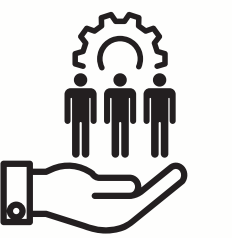



STRATEGIC OPPORTUNITIES & RISK ASSESSMENT

Evaluating high-growth opportunities alongside inflationary, regulatory and supply-chain disruption risks









ANSOFF MATRIX – QUANTIFIED OPPORTUNITIES

MARKET	MARKET DEVELOPMENT  Rural expansion distribution (12% penetration gap) • ₹8,000–10,000 Cr revenue opportunity • Assumes 50% gap closure	DIVERSIFICATION  Functional foods/adjacencies via M&A • EV/Sales multiple: 4–6x • Expected IRR >20% over 3 years
	MARKET PENETRATION  Entry-level SKU revival (≤₹10 packs) • Contributes ~45% of total volume growth • Rural growth at +8.2% vs urban +6.1%	PRODUCT DEVELOPMENT  Premium mix expansion (target: 50% by 2027) • +12 percentage point mix shift • ~+280 bps improvement in gross margins
	PRODUCT	

RISK HEATMAP – LIKELIHOOD & IMPACT

GEOPOLITICAL + SUPPLY CHAIN (HIGH)  • Packaging costs increased by 50–60% • Margin compression of 100–350 bps (Q1 FY27)	INPUT COST INFLATION (MEDIUM)  • 3–5% price hikes / shrinkflation observed • ~150 bps decline in gross margin YoY	EU DEFORESTATION REGULATION (MEDIUM)  • Compliance cost ~1.5–2% of COGS • ₹60–80 Cr annual impact for mid-sized firms	DEMAND POLARISATION (MEDIUM)  • Premium segment growth slowed to 4% • Compared to 12% growth in 2024
GROSS MARGIN RANGE  38–42% (down ~150 bps vs 2025)	RURAL GROWTH OVER URBAN  +220 bps (Feb 2026)	POLYETHYLENE PRICES  +58% YoY	

OPPORTUNITY–RISK PRIORITISATION MATRIX

ENTRY PACKS	PREMIUMISATION	RURAL EXPANSION	FUNCTIONAL FOODS	INPUT COST INFLATION	PACKAGING COST VOLATILITY	REGULATORY (EUDR)	DEMAND SLOWDOWN (PREMIUM)
 HIGH High volume growth driver • Scale aggressively in rural markets	 HIGH Margin expansion lever • Invest in innovation & branding	 HIGH Large untapped market • Strengthen distribution reach	 MEDIUM New growth adjacency • Selective, ROI focused expansion	 HIGH Margin pressure • Pricing & cost optimisation needed	 HIGH Supply disruption side • Vendor diversification	 MEDIUM Compliance burden • Build traceability early	 MEDIUM Growth risk • Balance mass & premium portfolio

STRATEGIC PRIORITIES & ACTION ROADMAP

Execution-focused roadmap prioritizing scalable growth, efficiency gains and long-term value creation

IMPACT-FEASIBILITY MATRIX – PRIORITISED ACTIONS

DIFFERENTIATING BETS

- ₹2,000 Cr premium CAPEX
- Functional food acquisitions
- Outcome: +12 pp premium mix, +280 bps gross margin, IRR >20%

QUICK WINS

- Entry level pack rollout
- Q-Comm expansion
- Grammage optimisation
- Outcome: Market share gains, faster impulse sales growth, ~5% margin recovery

- Beverage category entry
- New geography expansion
- Filter: Only if ROCE >15%

- EUDR traceability systems
- AI driven S&OP
- Renewable energy transition
- Outcome: Risk mitigation, inventory optimisation, working capital release

WATCH & EVALUATE

CAPABILITY BUILDS

FEASIBILITY

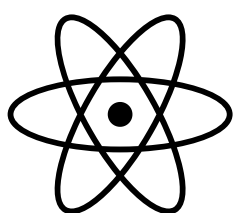
SUPPORTING ECONOMICS

Q-Comm AOV



₹350-400 vs ₹180 in general trade → ~2x margin per unit

Sachet model



~32% gross margin but ~3x asset turns

EUDR compliance



₹80-100 Cr one-time cost vs ₹250-300 Cr annual downside avoided

STRATEGIC EXECUTION & VALUE TRACKING

Initiative	Priority Level	Timeline	KPI / Success Metric
Entry-Level Packs	High	Immediate – Q2 2027	80% rural outlet coverage
Q-Comm Expansion	High	Immediate – Q3 2027	18-22% impulse sales share
Premium CAPEX	Medium-High	Q3 2027 – Q2 2028	₹2,000 Cr deployed
Functional Food Expansion	Medium	Q3 2027 – Q2 2028	5% revenue contribution
Cost Optimisation	High	Ongoing	+150-200 bps margin recovery
EUDR Compliance	Medium	By Oct 2026	100% SKU traceability
AI Forecasting	Medium	Ongoing	30-40% error reduction

IMPLEMENTATION ROADMAP – TIMELINE & METRICS

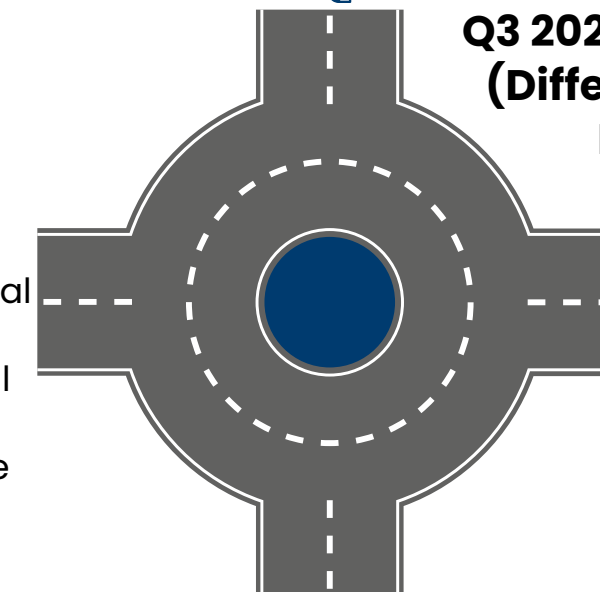
Now – Q2 2027 (Quick Wins Focus)



- ₹5/₹10 packs available in 80% rural outlets
- Q-Comm share reaches 18%
- Grammage optimisation delivers ~+5% gross margin

- ₹2,000 Cr CAPEX deployed
- Premium portfolio reaches 50% of total sales
- Functional foods contribute ~5% of revenue

Q3 2027 – Q2 2028 (Differentiating Bets)



Ongoing (Capability Builds)



- 100% EUDR traceability by Oct 2026
- AI forecast error reduced by 30-40%

A photograph of a grocery store aisle, dimly lit with a blue tint. On the left, tall shelves are stocked with various products, likely dairy or beverages. In the foreground on the right, a metal shopping cart is filled with items, including a yellow bottle of juice and several bags of snacks. The floor is polished and reflects the overhead lights. The text "THANK YOU" is overlaid in the center in a large, white, sans-serif font.

THANK YOU