

# Thoughts

Reflexion and Analysis for the Indian Market

April 2019

## Performance of Various Sectors in 2019



## Foreword

We analyse the performance of various sub-sectors within the consumer business space based on publicly available data of 105 consumer companies by market capitalisation and revenues. These companies are part of at least one of the following sub-sectors within the consumer business space:

- Agribusiness (includes agri-feed, fertilisers, etc)
- Apparel, footwear, and accessories (includes textiles and jewellery)
- Automotive (includes automotive vehicle manufacturers)
- Consumer durables and electronics
- Fast moving consumer goods (FMCG)
- Food and beverage (includes all companies in the food and beverage manufacturing space)
- Hospitality (majorly consists of hotels chains)
- Household goods and speciality materials (includes small household goods provider and home décor and other household items)
- Retail (consists of major retail chains operating in India)

**Agribusiness:** Agriculture, with its allied sectors, is the largest livelihood provider in India, more so in the vast rural areas, contributing around 17-18 percent to the Gross Domestic Product (GDP). Sustainable agriculture, in terms of food security, rural employment, and environmentally sustainable technologies such as soil conservation, sustainable natural resource management and biodiversity protection, is essential for holistic rural development. The Indian agriculture and allied activities have witnessed a green revolution, a white revolution, a yellow revolution, and a blue revolution. The GoI encourages modernisation of the farming practices and provides support to farmers through its Budget outlays and policies.

**Automotive:** Increasing demand for autonomous and connected vehicles is expected to lead to a new era in the automotive industry. In the current scenario, India is one of the top ten automotive markets in the world and is expected to reach in the top three by 2020. Initiatives by the GoI, such as low-cost electrical vehicles, voluntary vehicle fleet modernisation programme, Bharat Stage VI norms, etc. are expected to further redefine the outlook of automotive industry in the country. The industry allows 100

percent FDI under the automatic route and witnessed FDI worth USD19.3 billion during April 2000 to June 2018 period.

**Apparel, footwear, and accessories:** India's youth is highly brand and fashion-conscious. Over the recent decades, many leading garment manufacturers in India have become some of the major suppliers of readymade garments for the global market. Further, footwear is increasingly becoming a necessary style statement among all categories of population. Rising incomes, advent of globalisation, and improved employment and living standards in the country have led to the expansion in the market size of apparel, footwear and accessories

**Consumer durables and electronics:** The consumer durables industry can be broadly categorised into two segments: Consumer electronics, such as televisions, laptops, cameras, computers, and audio systems; Consumer appliances, such as washing machines, microwave ovens, cleaning equipment, air conditioners, refrigerators, kitchen appliances, and other household appliances.

The factors driving growth of the consumer durables and electronics market include increasing awareness, better access, changing lifestyle, and policy and regulatory changes such as relaxation of licence rules and approval of 51 percent FDI in multi-brand and 100 percent in single-brand retail. The government's increasing focus on investing significantly in rural electrification is expected to lead to a growing demand for durables like refrigerators as well as consumer electronic goods in the coming years in the rural markets.

**Fast Moving Consumer Goods (FMCG):** Consumer preferences in India are shifting from price of product to value for money. The government's focus on agriculture, MSMEs, education, health care, infrastructure, and employment is expected to drive the growth in FMCG sector. Companies in the FMCG domain plan to invest in energy-efficient plants and improved distribution channels to benefit the environment, lower costs and increase the quality of goods. Further, there is an enhanced focus on rural markets as the companies realise the potential of Indian rural consumers.

**Food and beverage:** The GoI is focusing on expanding the food-processing sector and has announced several initiatives such as setting up mega food parks in collaboration with the Ministry of Food Processing Industries (MoFPI). The government has planned for several reforms to encourage private agricultural markets, online agricultural sales, and food-processing investments, which could eventually lower

prices<sup>58</sup>. Some of the industries constituting the food processing industry include grains, sugar, edible oils, beverages and dairy products.

**Hospitality:** The hospitality sector in India has the potential to become the main driving force behind the growth of the economy. It includes a wide variety of activities within the services sector and is a major job provider, both direct and indirect. The growth in the hospitality sector and its contributions to the GDP are likely to continue to be substantially higher than other sectors of the economy owing to an increasing tourism potential in the country. The travel and tourism market offers a diverse portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, eco-tourism, film, rural and religious tourism, restaurant and hotels, etc.

**Household goods and speciality materials:** The home décor market has experienced growth due an increasing demand in the residential real estate industry over the last few decades. In addition, an increased consciousness among home owners for stylish interiors and beautiful indoors as well as rise in disposable income and better education have together led to a rise in this category. As more and more customers are open and willing to buy online in this segment, the awareness among buyers is growing. To cater to consumers' increasing demands, manufacturers are now using performance apparel technologies in home textile products.

**Retail:** The Indian retail industry is expected to grow from USD795 billion in 2017 to USD1, 200 billion by 2021. The retail sector in the country is experiencing exponential growth, wherein retail development is taking place in major cities and metros, as well as in Tier-II and Tier-III cities. The factors driving growth for the organised retail market include healthy economic growth, changing demographic profile, increasing disposable incomes, urbanisation, and changing consumer tastes and preferences. The purchasing power of the Indian consumer is growing in categories like apparels, cosmetics, shoes, watches, beverages, food, and even jewellery. India's price competitiveness attracts large retail players to use it as a sourcing base. Global retailers are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly owned/wholly managed sourcing and buying offices. To increase investments, the government has approved 51 percent FDI in multi-brand retail and 100 percent in single-brand retail under the automatic route. This is likely to further boost the ease of doing business and 'Make in India'.

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