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4.1: Introduction to Economy

1. Introduction

An economy consists of the economic system of a country or other area, the labor, capital and land resources, and the economic agents that socially participate in the production, exchange, distribution, and consumption of goods and services of that area. A given economy is the end result of a process that involves its technological evolution, history and social organization, as well as its geography, natural resource endowment, and ecology, as main factors. These factors give context, content, and set the conditions and parameters in which an economy functions. As long as someone has been making and distributing goods or services, there has been some sort of economy; economies grew larger as societies grew and became more complex. Global economy generally refers to the economy, which is based on economies of all of the world's countries, national economies. Also global economy can be seen as the economy of global society and national economies - as economies of local societies, making the global one. It can be evaluated in various kind of ways. For instance, depending on the model used, the valuation that is arrived at can be represented in a certain currency, such as 2006 US dollars.

It is inseparable from the geography and ecology of Earth, and is therefore somewhat of a misnomer, since, while definitions and representations of the "world economy" vary widely, they must at a minimum exclude any consideration of resources or value based outside of the Earth. For example, while attempts could be made to calculate the value of currently unexploited mining opportunities in unclaimed territory in Antarctica, the same opportunities on Mars would not be considered a part of the world economy—even if currently exploited in some way—and could be considered of latent value only in the same way as uncreated intellectual property, such as a previously unconceived invention. Beyond the minimum standard of concerning value in production, use, and exchange on the planet Earth, definitions, representations, models, and valuations of the world economy vary widely.

It is common to limit questions of the world economy exclusively to human economic activity, and the world economy is typically judged in monetary terms, even in cases in which
there is no efficient market to help valuate certain goods or services, or in cases in which a lack of independent research or government cooperation makes establishing figures difficult. Typical examples are illegal drugs and other black market goods, which by any standard are a part of the world economy, but for which there is by definition no legal market of any kind. However, even in cases in which there is a clear and efficient market to establish a monetary value, economists do not typically use the current or official exchange rate to translate the monetary units of this market into a single unit for the world economy, since exchange rates typically do not closely reflect worldwide value, for example in cases where the volume or price of transactions is closely regulated by the government.

Sumer developed a large scale economy based on commodity money, while the Babylonians and their neighboring city states later developed the earliest system of economics as we think of, in terms of rules/laws on debt, legal contracts and law codes relating to business practices, and private property. The Babylonians and their city state neighbors developed forms of economics comparable to currently used civil society (law) concepts. They developed the first known codified legal and administrative systems, complete with courts, jails, and government records.

2. Evolution of Economy

Evolution of national economy is explained in the following paragraphs:

(a) Ancient Time
Several centuries after the invention of cuneiform, the use of writing expanded beyond debt/payment certificates and inventory lists to be applied for the first time, about 2600 BC, to messages and mail delivery, history, legend, mathematics, astronomical records and other pursuits. Ways to divide private property, when it is contended amounts of interest on debt. rules as to property and monetary compensation concerning property damage or physical damage to a person... fines for 'wrong doing'... and compensation in money for various infractions of formalized law were standardized for the first time in history. The ancient economy was mainly based on subsistence farming. The Shekel referred to an ancient unit of weight and currency. The first usage of the term came from Mesopotamia circa 3000 BC. and
referred to a specific mass of barley which related other values in a metric such as silver, bronze, copper etc. A barley/shekel was originally both a unit of currency and a unit of weight just as the British Pound was originally a unit denoting a one pound mass of silver.

For most people the exchange of goods occurred through social relationships. There were also traders who bartered in the marketplaces. In Ancient Greece, where the present English word 'economy' originated, many people were bond slaves of the freeholders. Economic discussion was driven by scarcity. Aristotle (384-322 B.C.) was the first to differentiate between a use value and an exchange value of goods. The exchange ratio he defined was not only the expression of the value of goods but of the relations between the people involved in trade. For most of the time in history economy therefore stood in opposition to institutions with fixed exchange ratios as reign, state, religion, culture, and tradition.

(b) Medieval Times

In Medieval times, what we now call economy was not far from the subsistence level. Most exchange occurred within social groups. On top of this, the great conquerors raised venture capital (from ventura, ital.; risk) to finance their captures. The capital should be refunded by the goods they would bring up in the New World. Merchants such as Jakob Fugger (1459–1525) and Giovanni di Bicci de' Medici (1360–1428) founded the first banks. The discoveries of Marco Polo (1254–1324), Christopher Columbus (1451–1506) and Vasco da Gama (1469–1524) led to a first global economy. The first enterprises were trading establishments. In 1513 the first stock exchange was founded in Antwerpen. Economy at the time meant primarily trade.

(c) Early Modern Times

The European captures became branches of the European states, the so-called colonies. The rising nation-states Spain, Portugal, France, Great Britain and the Netherlands tried to control the trade through custom duties and taxes in order to protect their national economy. The so-called mercantilism (from mercator, was a first approach to intermediate between private wealth and public interest. The secularization in Europe allowed states to use the immense property of the church for the development of towns. The influence of the nobles decreased. The first Secretaries of State for economy started their work. Bankers like Amschel Mayer
Rothschild (1773–1855) started to finance national projects such as wars and infrastructure. Economy from then on meant national economy as a topic for the economic activities of the citizens of a state.

(d) The Industrial Revolution

The first economist in the true meaning of the word was the Scotsman Adam Smith (1723–1790). He defined the elements of a national economy: products are offered at a natural price generated by the use of competition - supply and demand - and the division of labour. He maintained that the basic motive for free trade is human self interest. The so-called self interest hypothesis became the anthropological basis for economics. Thomas Malthus (1766–1834) transferred the idea of supply and demand to the problem of overpopulation. The United States of America became the place where millions of expatriates from all European countries were searching for free economic evolvement.

The Industrial Revolution was a period from the 18th to the 19th century where major changes in agriculture, manufacturing, mining, and transport had a profound effect on the socioeconomic and cultural conditions starting in the United Kingdom, then subsequently spreading throughout Europe, North America, and eventually the world. The onset of the Industrial Revolution marked a major turning point in human history; almost every aspect of daily life was eventually influenced in some way. In Europe wild capitalism started to replace the system of mercantilism (today: protectionism) and led to economic growth. The period today is called industrial revolution because the system of Production, production and division of labour enabled the mass production of goods.

(e) After World War II

After the chaos of two World Wars and the devastating Great Depression, policymakers searched for new ways of controlling the course of the economy. This was explored and discussed by Friedrich August von Hayek (1899–1992) and Milton Friedman (1912–2006) who pleaded for a global free trade and are supposed to be the fathers of the so called neoliberalism. However, the prevailing view was that held by John Maynard Keynes (1883–1946), who argued for a stronger control of the markets by the state. The theory that the state can alleviate economic problems and instigate economic growth through state manipulation of
aggregate demand is called Keynesianism in his honor. In the late 1950s the economic growth in America and Europe brought up a new form of economy: mass consumption economy. In 1958 John Kenneth Galbraith (1908–2006) was the first to speak of an affluent society. In most of the countries the economic system is called a social market economy.

National Economy is the historically shaped complex of production sectors in a given country, interrelated through the division of labor. The national economy includes the sectors of the production sphere, where material social product is created, and sectors of the nonproduction sphere, where non-material services are performed. Material production is in turn divided into those sectors that produce the means of production and those sectors that produce consumer goods. The socioeconomic nature of any national economy, as well as its structure and rate of development, is determined by the character of the dominant production relationships in society.

Under capitalism, the national economy as a unified whole first takes shape during the formation of national states. It is a result of the development of productive forces and the division of labor in society, the growing specialization of production sectors, and the emergence of a national market and large-scale mechanized production. Under capitalism, the national economy is based on private ownership of the means of production and on the exploitation of hired labor. In conformity with the economic laws of capitalism, it develops in an anarchical, cyclical manner, always subordinate to the primary purpose of capitalist production, that is, the race for profits. Under this system, primary wealth is owned by a relatively small part of society, the big capitalists. Increasing intervention by the capitalist state in the economy cannot overcome the antagonistic contradictions and uncontrollable character of the capitalist national economy or such periodic crises as currency upheavals, inflation, and unemployment. After the crisis of 1969–71, for example, the rate of economic development in most of the capitalist countries fell.

Under socialism, the national economy is based on public ownership of the means of production, on labor without exploitation, on true realization of the right to work, and on the universality of labor. The development of the socialist economy takes place in a planned manner and at a rapid rate on the basis of the economic laws of socialism; with the purpose of
“ensuring full well-being and free, all-round development of all the members of society”
Therefore all the aggregate social product created in the socialist national economy belongs to
the working people. A most important characteristic of the socialist national economy is the
combination of centralized administration with active participation by production collectives,
local bodies, and all working people in such administration. This makes possible the fullest,
most efficient use of available material and labor resources in the interests of all of society
and of each of its members. In the USSR, the national economies of all the Union republics
are formed and developed as an integrated whole of interrelated economic complexes which,
on the basis of a socialist division of labor in society, ensure a combination of the economic
interests of each republic with those of the country as a whole.

Socialist society ensures the conditions necessary for planned formation of a progressive
sectorial structure for the national economy, one that will meet the needs of constructing the
material and technical base of communism, of steadily increasing social productivity, and of
improving the standard of living. Influenced by such factors as the scientific and
technological revolution, the continuous improvement of technology, and the growth of social
productivity, the sectorial structure of the national economy becomes more complex. In the
course of socialist construction in the USSR, the dimensions of the national economy have
increased enormously; the economy has come to be based on multisectorial industry, large-
scale agriculture, and scientific advance. In 1972 the industrial output of the USSR was 320
times as great as in 1922.

During the ninth five-year plan (1971–75), major structural changes are being made in the
national economy of the USSR. Not only are the high growth rates for production of the
means of production and of consumer goods being maintained, but they are also being
brought significantly into line with each other, although production of the means of
production will continue to develop faster. Significant changes are taking place in the
structure of each industrial subdivision. In subdivision I, for example, the progressive
sectors—including machine building, chemicals and petrochemicals, the production of
plastics and synthetic resins, and the manufacture of precision instruments and automated
equipment—are developing at higher rates. These sectors are precisely those that determine
scientific and technological progress and ensure decreasing production costs, increasing final
output, and rising labor productivity. Special attention is devoted to creating fully mechanized and automated systems of production, as well as to incorporating qualitatively new machine designs and increasing the capacities of such newly introduced equipment.

National economies across the world have been affected by demand, consumption pattern, technology, government policies and competition. In recent past the world economies were further affected due to economic recession. It started from USA, Europe and reached to Japan and Asian countries also. Still some of the economies in European markets have not yet revived. Still they are faced slow progress or not progress at all. Wait and watch their progress in future.

3. World Economies

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Rather, market valuations in a local currency are typically translated to a single monetary unit using the idea of purchasing power. This is the method used below, which is used for estimating worldwide economic activity in terms of real US dollars. However, the world economy can be evaluated and expressed in many more ways. It is unclear, for example, how many of the world's 6.8 billion people have most of their economic activity reflected in these valuations.

(a) Leading Economies in World
In 2011, the largest economies in the world are the United States, China, Japan, Germany, France and the United Kingdom. Following are the leading economies in the world at present and their future is bright:

(i) The United States: The United Stated with a GDP of $13.8 trillion is the world’s No.1. A growth of 1 percent was registered by the US economy in the first quarter. However, the U.S has also been badly affected by recession. By June 2008, the economy fell into a recession. About 2.6 million Americans lost their jobs in 2008, the worst since the end of World War II.

(ii) Japan: With a GDP of $4.37 trillion, Japan is the second largest economy in the world. However it moved further into recession in the fourth quarter as it suffered a great fall in exports. Japan’s GDP has fallen at an annual rate of 0.4 per cent from July to September
2008, marking the second consecutive quarter of negative growth. According to Bank of Japan, the economy will suffer a setback of 1.8 per cent this financial year.

(iii) China: China has moved ahead of Germany to become the world’s third largest economy after the United States and Japan. It witnessed a growth rate in GDP to the extent of 13 per cent in 2007. China revised the growth rate of its gross domestic product (GDP) for 2007 to 13 per cent from 11.9 per cent. As per the final verification the GDP totaled $3.76 trillion. However China has also been impacted by recession to a great extent.

(iv) Germany: After holding the third position for several years, recently Germany has been pushed to the 4th position. Its GDP stands at $3.29 trillion. German economy’s GDP fell owing to falling exports by half a percent in July, August and September, which was the second straight quarter of decline. The European economy also witnessed its first recession in 15 years. Europe is facing the worst financial crisis since the great depression. The GDP in the 15 euro nations sank by 0.2 per cent during August, September and October 2008.

(v) United Kingdom: United Kingdom, the fifth largest economy fell by 0.5 per cent July and September. Its GDP stood at $2.72 trillion. The economy shrank in the third quarter for the first time since 1992.

(vi) France: France holds the sixth position among largest world economies with a GDP of $2.56 trillion. The economy of France shrank by 0.3 percent in the second quarter of the year. However, the gross domestic product grew by 0.1 per cent in the third quarter of 2008. A 0.5% percent fall of the French economy has been forecast by the International Monetary Fund in 2009.

(vii) Italy: Italy is the 7th largest economy in the world with a GDP of $2 trillion. The Italian economy shrank in the third quarter of 2008 for the second consecutive quarter. Its GDP fell by 0.5 per cent before a quarter, after a revised drop of 0.4 per cent in the second quarter.
(viii) **Spain**: With a GDP of $1.42 trillion, Spain is the eighth largest economy. It got trapped under a recession for the first time in 15 years. The economy of Spain fell for the first time since 1993. While the gross domestic product of Spain fell 0.2% in the third quarter from the second quarter, it rose 0.9% from the third quarter a year earlier.

(ix) **Canada**: Canada is the 9th largest economy in the world with a GDP of $1.32 trillion. In the next 2 quarters Canada is expected to register negative growth. The unemployment rate of Canada is set to hit a high of 7.4 per cent in 2009.

(x) **Brazil**: With a GDP of $1.31 trillion, Brazil is the 10th largest economy in the world. Brazil is also badly hit by recession. Its industrial output fell by 6.2 per cent in November. Brazil’s unemployment rate dropped to its lowest point in seven years.

(xi) **India**: Indian economy is a mixed economy and fast developing in the present time. True but they are sociologically handicapped by their all pervasive caste system that undermines the formation of a large middle class - which some see as an essential ingredient for stable growth. India is a really amazing country for business. India environment is more suitable for all type of businesses. In USA, Canada, UK, Australia is not like that because in that countries are not a permanent business .its a short term business there. In recent past India was even not much affected by recession and at present it is growing at a faster rate. Future of Indian economy is bright.

(xii) **South Korea**: GDP per capita of South Korea grew from $79 in 1950 to $19,000 in 2009. Korea is largest shipbuilding nation, fourth in auto production, second in electronics, fifth in nuclear energy, and second in construction. South Korea is the future. Very ambitious, hard-working people will no doubt put this country closer to the top someday (they already have, they'll do it again). It is having scope to become a power house of Asia in future.

### 4. Types of Economies

There are many different kinds of economies around the world, but they all fall into three basic categories. One category is the command economy which is also called central
planning. It has strong government control. The other type is the free market economy which is also called capitalism. In this type of economy, there is very little government control. Currently, all real economies combine parts of capitalism with those of central planning. Each country around the world differs from one another in the amount they use the two systems. For example, the United States and Canada have economic systems that use very little government control so they are usually described as capitalistic.

Command economies have strong government control. So if you wanted to start your own business, you would have to get permission from the government. In a command economy, the government owns most of the industries and companies. One type of command economy is communism. True communism is a type of economic system that doesn't allow ownership of private property. Most of the command economies that existed in the world had strong central governments. These governments dictated how much was made and what was made by industry. The communists believed that life is a class struggle between workers and the owners of an industry or factory. In a communistic economy, goods were distributed on an as-needed-basis.

In the command economy, the government makes the decisions as to what goods to supply to the people. The Soviet Union was an example of a communistic command economy. Many people think China is still a communist country. But they, and other countries like them, have given control over some of their economic activities back to the people. Most economies are the third kind, which is a mixed economy -- a combination of planned economy and market economy -- where there is some government intervention, but also much private enterprise as well. You see often criticisms of President Obama's economic policies as being socialism from conservative circles, but as a literal matter that is a silly charge because all those propositions are adjustments in the mixed economy. America has never been solely a market economy or a planned economy. India is an beautiful example of mixed economy with core industries under control of governments and others are operated by private sector. The two sectors are working in good combination.
(a) Observations
From the observation of various world economies the main observations are following;

(i) **Advanced economies are slowing down**: Since the 1990s, advanced economies have experienced much slower growth compared to the developing world due to the rapid rise of emerging economies including China and India. The declining trend of advanced economies has been accelerated by the global financial crisis in 2008-2009.

The USA is the world's largest economy. However, its share in world GDP in PPP terms has declined from 23.7% in 2000 to 20.2% in 2010 due to faster growth of emerging economies as well as the severe impact of the financial crisis in 2008-2009. Real GDP contracted by 2.4% in the USA in 2009. The economy has recovered since early 2010 owing to stimulus measures.

Japan's economy recovered slightly in the mid-2000s after a prolonged period of stagnation due to inefficient investments and the burst of asset price bubbles. The country has been hit hard by the global economic downturn since 2008 as a result of its overdependence on trade and prolonged deflation. Population ageing has also accelerated Japan's economic slowdown.
In 2009, annual real GDP shrank by 5.2%;
In 2010, the European Union (EU) economies account for 20.6% of world GDP measured at PPP terms, down from 25.1% in 2000. Population ageing and rising unemployment have contributed to their slowdown;

The IMF forecasts that annual real GDP growth of advanced economies will reach 2.3% in 2010 and 2.4% in 2011 after a contraction of 3.2% in 2009. This is much slower than the 8.7% expected in emerging Asian economies for both 2010 and 2011, which are driving the global economic recovery. Many advanced economies will also face the challenge of reducing public debts and government budget deficits, which will weigh on economic growth potential into the medium term.

(ii) Emerging countries are catching up and will overtake: Emerging economies are catching up with the advanced world. By 2020, there will be changes in the global balance of economic power:

- China's share in world total GDP in PPP terms has increased from 7.1% in 2000 to 13.3% in 2010. By 2020, it will reach 20.7%. China will overtake the USA to become the world's largest economy as early as 2017;

- India is the fourth largest economy in 2010. By 2012, it will have overtaken Japan to become the world's third largest economy, with GDP accounting for 5.8% of the world total in PPP terms. In the long term, India could grow even faster than China due to its younger and faster growing population;

- By 2020, Russia will rank higher than Germany in the top ten economies in terms of GDP measured at PPP terms and become the fifth largest economy. Brazil, on the other hand, will have overtaken both the UK and France to become the seventh largest economy in 2020. Being amongst the world's major exporters of energy and natural resources, Russian and Brazilian growth potential is promising although Russia's lack of economic diversification may cause problems in the longer term;
• By 2020, Mexico will have overtaken Italy to be the world's 10th largest economy by GDP measured at PPP terms. A growing population and proximity to the USA aid the country's economic development;

• With five emerging countries in the list of top ten largest economies, global power will become more balanced by 2020.

(b) Economy – overview

(i) 2006 - USA leads expansion: Economic outputs of 178 markets expanded by $3.9 trillion during 2006. USA accounted for one-fifth while China accounted for one-ninth of the global output expansion. The economic output of 5 markets contracted by $193 billion. Japan accounted for almost all the global output contraction.

(ii) 2007 - China leads expansion: The economic output of 182 markets expanded by $6.3 trillion during 2007. China accounted for one-eighth while the USA accounted for one-tenth of the global output expansion.

(iii) 2008 - credit crisis begins: The economic output of 171 markets expanded by $5.8 trillion during 2008. China accounted for one-sixth of the global output expansion. The economic output of 11 markets contracted by $267 billion during 2008. UK accounted for one-half while South Korea accounted for two-fifth of the global output contraction. Though the crisis first affected most countries in 2008, it was not yet deep enough to reverse growth.

(iv) 2009 - credit crisis spreads: The economic output of 132 markets contracted by $4.1 trillion during 2009. However, UK was the largest victim accounting for one-eighth while Russia accounted for one-tenth of the global output contraction. The economic output of 50 markets expanded by $781 billion during 2009. China accounted for three-fifth while Japan accounted for one-fourth of the global output expansion.
(v) 2010 - IMF forecasts recovery: The economic output of 138 markets is expected to expand by $4.6 trillion during 2010. China is expected to account for one-sixth and the USA is expected to account for one-ninth of the global output expansion. The economic output of 44 markets is expected to contract by $498 billion during 2010. Despite bailouts, France is expected to account for one-fifth, Spain is expected to account for one-fifth, and Italy is expected to account for one-sixth of the global output contraction.

IMF's economic outlook for 2010 noted that banks faced a "wall" of maturing debt, which presents important risks for the normalization of credit conditions. There has been little progress in lengthening the maturity of their funding and, as a result, over $4 trillion in debt is due to be refinanced in the next 2 years.
Chapter 4.2: Indian Economy

1. Indian Economy Overview
2. History of India Economy
3. Challenges before Indian economy
4. Important Trends in the Indian Economy
5. Classification of Indian Industries
4.2: Indian Economy

1. Indian Economy Overview

India is a South Asian country that is the seventh largest in area and has the second largest population in the world. The land covers an area of 3,287,240 square km (India geography) and the population stands at 1,202,380,000 people (India population). India has great plains, long coastlines and majestic mountains. Thus, the land has abundant resources. India shares its borders with China, Bangladesh, Pakistan, Nepal, Sri Lanka and Myanmar. Large, dynamic and steadily expanding, the Indian economy is characterized by a huge workforce operating in many new sectors of opportunity. The Indian economy is one of the fastest growing economies and is the 12th largest in terms of the market exchange rate at $1,242 billion (India GDP). In terms of purchasing power parity, the Indian economy ranks the fourth largest in the world. However, poverty still remains a major concern besides disparity in income.

The Indian economy has been propelled by the liberalization policies that have been instrumental in boosting demand as well as trade volume. The growth rate has averaged around 7% since 1997 and India was able to keep its economy growing at a healthy rate even during the 2007-2009 recession, managing a 5.355% rate in 2009 (India GDP Growth). The biggest boon to the economy has come in the shape of outsourcing. Its English speaking population has been instrumental in making India a preferred destination for information technology products as well as business process outsourcing. The economy of India is as diverse as it is large, with a number of major sectors including manufacturing industries, agriculture, textiles and handicrafts, and services. Agriculture is a major component of the Indian economy, as over 66% of the Indian population earns its livelihood from this area.

However, the service sector is greatly expanding and has started to assume an increasingly important role. The fact that the Indian speaking population in India is growing by the day means that India has become a hub of outsourcing activities for some of the major economies of the world including the United Kingdom and the United States. Outsourcing to India has been primarily in the areas of technical support and customer services.
Other areas where India is expected to make progress include manufacturing, construction of ships, pharmaceuticals, aviation, biotechnology, tourism, nanotechnology, retailing and telecommunications. Growth rates in these sectors are expected to increase dramatically. Despite the liberalization the economy still largely controlled by the government and the 500+ major companies it owns, which together are worth around US$500 billion, or around 40% of GDP at current exchange rates. Thanks to past profligate spending, government debt is running at around 80% of GDP. Servicing the interest payments on that debt is now the single largest component of the federal budget. Fiscal discipline and deficit reduction is therefore vital for India's future prospects.

It is also crucial to understand that India is driven primarily by domestic (consumer) consumption. This stands in marked contrast to Japan, the Asian Tigers and now China, all of whom have followed the export-oriented model. With the massive growth of the Indian middle class, this vast country may become Asia's first major 'buy' economy.

2. History of India Economy

India economy, the third largest economy in the world, in terms of purchasing power, is going to touch new heights in coming years. As predicted by Goldman Sachs, the Global Investment Bank, by 2035 India would be the third largest economy of the world just after US and China. It will grow to 60% of size of the US economy. This booming economy of today has to pass through many phases before it can achieve the current milestone of 9% GDP. The history of Indian economy can be broadly divided into three phases: pre-colonial, colonial and pre-liberalization and post liberalization. This is explained below:

(a) Pre-colonial Period

The spice trade between India and Europe was the main catalyst for the Age of Discovery. The citizens of the Indus Valley civilisation, a permanent settlement that flourished between 2800 BC and 1800 BC, practiced agriculture, domesticated animals, used uniform weights and measures, made tools and weapons, and traded with other cities. Evidence of well planned streets, a drainage system and water supply reveals their knowledge of urban planning, which
included the world's first urban sanitation systems and the existence of a form of municipal government. Maritime trade was carried out extensively between South India and southeast and West Asia from early times until around the fourteenth century AD. Both the Malabar and Coromandel Coasts were the sites of important trading centres from as early as the first century BC, used for import and export as well as transit points between the Mediterranean region and southeast Asia. Over time, traders organised themselves into associations which received state patronage. However, state patronage for overseas trade came to an end by the thirteenth century AD, when it was largely taken over by the local Jewish and Muslim communities, initially on the Malabar and subsequently on the Coromandel coast. Further north, the Saurashtra and Bengal coasts played an important role in maritime trade, and the Gangetic plains and the Indus valley housed several centres of river-borne commerce. Most overland trade was carried out via the Khyber Pass connecting the Punjab region with Afghanistan and onward to the Middle East and Central Asia. Although many kingdoms and rulers issued coins, barter was prevalent. Villages paid a portion of their agricultural produce as revenue to the rulers, while their craftsmen received a part of the crops at harvest time for their services.

Silver coin minted during the reign of the Gupta king Kumara Gupta I (AD 414–55). Religion, especially Hinduism and the caste and the joint family systems, played an influential role in shaping economic activities. The caste system functioned much like medieval European guilds, ensuring the division of labour, providing for the training of apprentices and, in some cases, allowing manufacturers to achieve narrow specialisation. For instance, in certain regions, producing each variety of cloth was the specialty of a particular sub-caste. Textiles such as muslin, Calicos, shawls, and agricultural products such as pepper, cinnamon, opium and indigo were exported to Europe, the Middle East and South East Asia in return for gold and silver.

Assessment of India's pre-colonial economy is mostly qualitative, owing to the lack of quantitative information. The Mughal economy functioned on an elaborate system of coined currency, land revenue and trade. Gold, silver and copper coins were issued by the royal mints which functioned on the basis of free coinage. The political stability and uniform revenue
policy resulting from a centralised administration under the Mughals, coupled with a well-developed internal trade network, ensured that India, before the arrival of the British, was to a large extent economically unified, despite having a traditional agrarian economy characterised by a predominance of subsistence agriculture dependent on primitive technology. After the decline of the Mughals, western, central and parts of south and north India were integrated and administered by the Maratha Empire. After the loss at the Third Battle of Panipat, the Maratha Empire disintegrated into several confederate states, and the resulting political instability and armed conflict severely affected economic life in several parts of the country, although this was compensated for to some extent by localised prosperity in the new provincial kingdoms. By the end of the eighteenth century, the British East India Company entered the Indian political theatre and established its dominance over other European powers. This marked a determinative shift in India's trade, and a less powerful impact on the rest of the economy.

(b) Colonial Period (1773–1947)
An aerial view of Calcutta Port was taken in 1945. Calcutta, which was the economic hub of British India, saw increased industrial activity during World War II. There is no doubt that our grievances against the British Empire had a sound basis. As the painstaking statistical work of the Cambridge historian Angus Maddison has shown, India's share of world income collapsed from 22.6% in 1700, almost equal to Europe's share of 23.3% at that time, to as low as 3.8% in 1952. Indeed, at the beginning of the 20th Century, "the brightest jewel in the British Crown" was the poorest country in the world in terms of per capita income. Company rule in India brought a major change in the taxation and agricultural policies, which tended to promote commercialization of agriculture with a focus on trade, resulting in decreased production of food crops, mass impoverishment and destitution of farmers, and in the short term, led to numerous famines. The economic policies of the British Raj caused a severe decline in the handicrafts and handloom sectors, due to reduced demand and dipping employment. After the removal of international restrictions by the Charter of 1813, Indian trade expanded substantially and over the long term showed an upward trend. The result was a significant transfer of capital from India to England, which, due to the colonial policies of
the British, led to a massive drain of revenue instead of any systematic effort at modernisation of the domestic economy.

India's colonisation by the British created an institutional environment that, on paper, guaranteed property rights among the colonisers, encouraged free trade, and created a single currency with fixed exchange rates, standardised weights and measures and capital markets. It also established a well developed system of railways and telegraphs, a civil service that aimed to be free from political interference, a common-law and an adversarial legal system. This coincided with major changes in the world economy industrialisation, and significant growth in production and trade. However, at the end of colonial rule, India inherited an economy that was one of the poorest in the developing world, with industrial development stalled, agriculture unable to feed a rapidly growing population, a largely illiterate and unskilled labour force, and extremely inadequate infrastructure.

The 1872 census revealed that 91.3% of the population of the region constituting present-day India resided in villages, and urbanisation generally remained sluggish until the 1920s, due to the lack of industrialisation and absence of adequate transportation. Subsequently, the policy of discriminating protection (where certain important industries were given financial protection by the state), coupled with the Second World War, saw the development and dispersal of industries, encouraging rural-urban migration, and in particular the large port cities of Bombay, Calcutta and Madras grew rapidly. Despite this, only one-sixth of India's population lived in cities by 1951.

The impact of the British rule on India's economy is a controversial topic. Leaders of the Indian independence movement and left-nationalist economic historians have blamed colonial rule for the dismal state of India's economy in its aftermath and stated that financial strength required for industrial development in Europe was derived from the wealth taken from colonies in Asia and Africa. At the same time, right-wing historians have countered that India's low economic performance was due to various sectors being in a state of growth and decline due to changes brought in by colonialism and a world that was moving towards industrialisation and economic integration.
(c) Pre-liberalisation Period (1947–1991)

Compare India (orange) with South Korea (yellow). Both started from about the same income level in 1950. The graph shows GDP per capita of South Asian economies and South Korea as a percentage of the American GDP per capita. Indian economic policy after independence was influenced by the colonial experience, which was seen by Indian leaders as exploitative, and by those leaders' exposure to democratic socialism as well as the progress achieved by the economy of the Soviet Union. Domestic policy tended towards protectionism, with a strong emphasis on import substitution, industrialisation, state intervention, a large public sector, business regulation, and central planning, while trade and foreign investment policies were relatively liberal. Five-Year Plans of India resembled central planning in the Soviet Union. Steel, mining, machine tools, water, telecommunications, insurance, and electrical plants, among other industries, were effectively nationalised in the mid-1950s.

Jawaharlal Nehru, the first prime minister of India, along with the statistician Prasanta Chandra, formulated and oversaw economic policy during the initial years of the country's existence. They expected favorable outcomes from their strategy, involving the rapid development of heavy industry by both public and private sectors, and based on direct and indirect state intervention, rather than the more extreme Soviet-style central command system. The policy of concentrating simultaneously on capital- and technology-intensive heavy industry and subsidizing manual, low-skill cottage industries was criticised by economist Milton Friedman, who thought it would waste capital and labour, and retard the development of small manufacturers. The rate of growth of the Indian economy in the first three decades after independence was derisively referred to as the Hindu rate of growth, because of the unfavourable comparison with growth rates in other Asian countries, especially the East Asian Tigers. Since 1965, the use of high-yielding varieties of seeds, increased fertilisers and improved irrigation facilities collectively contributed to the Green Revolution in India, which improved the condition of agriculture in India by increasing productivity of food as well as commercial crops, improving crop patterns and strengthening forward and backward linkages between agriculture and industry. However, it has also been criticised as an unsustainable effort, resulting in the growth of capitalistic farming, ignoring institutional reforms and widening income disparities.
(d) Post-liberalisation Period (Since 1991)

In the late 1970s, the government led by Morarji Desai eased restrictions on capacity expansion for incumbent companies, removed price controls, reduced corporate taxes and promoted the creation of small scale industries in large numbers. However, the subsequent government policy of Fabian socialism hampered the benefits of the economy, leading to high fiscal deficits and a worsening current account. The collapse of the Soviet Union, which was India's major trading partner, and the first Gulf War, which caused a spike in oil prices, caused a major balance-of-payments crisis for India, which found it facing the prospect of defaulting on its loans. India asked for a $1.8 billion bailout loan from IMF, which in return demanded reforms.

In response, Prime Minister Narasimha Rao, along with his finance minister Manmohan Singh, initiated the economic liberalisation of 1991. The reforms did away with the Licence Raj (investment, industrial and import licensing), reduced tariffs and interest rates and ended many public monopolies, allowing automatic approval of foreign direct investment in many sectors. Since then, the overall direction of liberalisation has remained the same, irrespective of the ruling party, although no party has tried to take on powerful lobbies such as the trade unions and farmers, or contentious issues such as reforming labour laws and reducing agricultural subsidies. By the turn of the century, India had progressed towards a free-market economy, with a substantial reduction in state control of the economy and increased financial liberalisation. This has been accompanied by increases in life expectancy, literacy rates and food security, although the beneficiaries have largely been urban residents.

While the credit rating of India was hit by its nuclear tests in 1998, it has since been raised to investment level in 2003 by S&P and Moody's. In 2003, Goldman Sachs predicted that India's GDP in current prices would overtake France and Italy by 2020, Germany, UK and Russia by 2025 and Japan by 2035. By 2035, it was projected to be the third largest economy of the world, behind the US and China. India is often seen by most economists as a rising economic superpower and is believed to play a major role in the global economy in the 21st century.
3. Challenges Before Indian economy

Following are the challenges faced by Indian economy:

(a) Population Explosion
This monster is eating up into the success of India. According to 2001 census of India, population of India in 2001 was 1,028,610,328, growing at a rate of 2.11% approx. Such a vast population puts lots of stress on economic infrastructure of the nation. Thus India has to control its burgeoning population.

(b) Poverty
As per records of National Planning Commission, 36% of the Indian population was living Below Poverty Line in 1993-94. Though this figure has decreased in recent times but some major steps are needed to be taken to eliminate poverty from India.

(c) Unemployment
The increasing population is pressing hard on economic resources as well as job opportunities. Indian government has started various schemes such as Jawahar Rozgar Yojna, and Self Employment Scheme for Educated Unemployed Youth (SEEUY). But these are proving to be a drop in an ocean.

(d) Rural urban divide
It is said that India lies in villages, even today when there is lots of talk going about migration to cities, 70% of the Indian population still lives in villages. There is a very stark difference in pace of rural and urban growth. Unless there isn't a balanced development Indian economy cannot grow.

These challenges can be overcome by the sustained and planned economic reforms through followings:

- Maintaining fiscal discipline
- Orientation of public expenditure towards sectors in which India is faring badly such as health and education.
• Introduction of reforms in labour laws to generate more employment opportunities for the growing population of India.
• Reorganization of agricultural sector, introduction of new technology, reducing agriculture's dependence on monsoon by developing means of irrigation.
• Introduction of financial reforms including privatization of some public sector banks.

Table 4.2.1: India's GDP Rate Since 1951

<table>
<thead>
<tr>
<th>Financial year</th>
<th>GDP of India at factor cost (in percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951-52</td>
<td>2.3</td>
</tr>
<tr>
<td>1952-53</td>
<td>2.8</td>
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<tr>
<td>1953-54</td>
<td>6.1</td>
</tr>
<tr>
<td>1954-55</td>
<td>4.2</td>
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<tr>
<td>1955-56</td>
<td>2.6</td>
</tr>
<tr>
<td>1956-57</td>
<td>5.7</td>
</tr>
<tr>
<td>1957-58</td>
<td>-1.2</td>
</tr>
<tr>
<td>1958-59</td>
<td>7.6</td>
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<tr>
<td>1959-60</td>
<td>2.2</td>
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<td>1960-61</td>
<td>7.1</td>
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<td>1961-62</td>
<td>3.1</td>
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<td>1962-63</td>
<td>2.1</td>
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<td>1964-65</td>
<td>7.6</td>
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<tr>
<td>1965-66</td>
<td>-3.7</td>
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<td>1966-67</td>
<td>1</td>
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<td>1967-68</td>
<td>8.1</td>
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<td>1968-69</td>
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<td>1969-70</td>
<td>6.5</td>
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<td>1970-71</td>
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<td>1971-72</td>
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<tr>
<td>1972-73</td>
<td>-0.3</td>
</tr>
<tr>
<td>1973-74</td>
<td>4.6</td>
</tr>
<tr>
<td>1974-75</td>
<td>1.2</td>
</tr>
<tr>
<td>1975-76</td>
<td>9</td>
</tr>
<tr>
<td>1976-77</td>
<td>1.2</td>
</tr>
<tr>
<td>1977-78</td>
<td>7.5</td>
</tr>
</tbody>
</table>
4. Important Trends in the Indian Economy

In an article in the Business Standard a couple of months ago, economic commentator T N Ninan pointed to some of the important emerging trends in the Indian economy, what he called the “mega trends”. In his words, these trends deserve to be called “mega trends” because they “cannot easily be
reversed, have large ripple effects, and … therefore will define the future”. While these “mega trends” are important for throwing up interesting empirical regularities, these can be equally well, if not better, understood within a Marxist paradigm, a paradigm built on looking at reality from the perspective of labour. Adopting the perspective of labour is important for another reason: it allows us to see the incompleteness, the one-sidedness of bourgeois economic analysis. It is only by complementing Ninan’s “mega trends” with some important but neglected trends that are often invisible to bourgeois economists (which I merely point to at the end) that we can get a better understanding of the evolution of Indian economy and society.

The first trend – “acquiring of scale” in Ninan’s words – refers to the growing “concentration and centralization” of Indian capital, a process that inevitably accompanies the development of capitalism. The growth of concentration and centralization is leading to the much talked about growth of “self-confidence” of Indian capital, buttressed no doubt with incursions into foreign territories. As Ninan points out, Indian capital was acquiring “three overseas companies a week, through 2006.”

The second trend – “spread of connectivity and awareness” according to Ninan – refers to the technological development accompanying the growth of capitalism; Ninan limits himself to the technological developments in the communications sector but it can easily be extended to other sectors of the economy too. But there are several important reasons to focus on the transportations and communications sector. First, an increasing efficiency of communications and transportations is essential for a smooth and efficient completion of the numerous “circuits of capital”; the increasing volume of surplus value being generated in the economy needs well functioning circuits of capital to be realized into profit. Second, technological development of the communications technology, especially information technology, is important for the establishment of the networks through which finance capital exerts its influence over the economy. Third, and related to the earlier, is the necessity of swift and reliable communications to support all the processes that facilitates the “concentration and centralization of capital”.

The third trend – “the growth of the middle class” in Ninan’s analysis – if put into proper perspective, refers to two things: (1) the increasing inequality that inevitably comes along with the growth of capitalism, and (2) the changing nature of the Indian working class. What Ninan refers to as the “middle class” is really the fraction of the Indian working class (though it does not want to see itself as
part of the working class) that acquires high wage employment in the “leading” sectors of the economy by acquiring skills useful for capital.

The fourth trend – what Ninan calls the “growing problems of growth” – refers to the serious environmental problems created by a regime dominated by the logic of capital accumulation. As the problem of global warming caused by increasing concentrations of greenhouse gases in the Earth’s atmosphere has come into focus, it has become clear that cosmetic changes and technological solutions will not be enough to deal with the whole range of environmental problems under capitalism. What will be required is a wholesale, radical socio-economic transformation, in other words, a transition to socialism. It will become increasingly important for radical political forces representing the interests of capital to come to grips with this issue in India and other underdeveloped economies undergoing rapid (dependent) capitalist development.

The fifth trend – “India’s growing openness to the world” according to Ninan – refers to the growing penetration of the Indian economy by imperialist capital; being supplemented by the growing “export of capital” from India to foreign economies, the two together points to the growing “interpenetration” of imperialist and Indian capital and the incorporation of the Indian capitalist class into the global ruling bloc. The penetration of imperialist capital underlies the oft-forgotten “dependent” nature of the capitalist development in India, a capitalism which cannot, almost axiomatically, benefit the majority of the population.

The sixth trend – what Ninan sees as “the continuing dominance of youth” – refers to the demographic backdrop of capital accumulation in India. The fact that a large proportion of the population will be part of the workforce (if they manage to get employed at all!) will mean that huge reserves of labour will be readily available for capital to exploit and extract surplus value. It will be a long time before these reserves dry up and increasing wages start eating into the profit rates, a process that seems to have already started in China.

It is not, as Ninan asserts, that these “mega trends” will “define” the future in a mechanical sense; it is rather the case that these trends will define the framework within which the class struggle will unfold. For it is the class struggle which will ultimately “define” the future of India. But even in the sense of defining the framework of class struggle, Ninan’s characterization is inadequate because it leaves out labour from the picture, other than in a marginal sense. How will India’s working class evolve over the next few years or decades? What are the trends, working silently but decisively, that can be observed
in the evolution of the Indian working class? To even attempt to pose this question adequately, one will have to look at the agricultural sector of the Indian economy and all the forms of labour associated (directly or indirectly) with it. Ninan, quite remarkably, has nothing to say about the sector of the economy which continues to employ (directly or indirectly) the majority of the working people in India.

5. Classification of Indian Industries

India is the world’s third largest economy in terms of purchasing power parity (PPP), with a gross domestic product (GDP) of US $4.042 trillion. It is the twelfth largest economy in the world when measured in exchange-rate terms, with a GDP of US $930.0 billion (2007). It is the second fastest growing major economy in the world, with a GDP growth rate of 9.2% at the end of the second quarter of 2006–2007. However, due to its huge population, it has a per capita income of $3400 at PPP and $714 at nominal. The World Bank has placed it in the list of low-income economy. India’s economy is diverse, depending on agriculture, handicrafts, textile, manufacturing, and a multitude of services.

The two-thirds of the Indian workforce depend directly or indirectly on agriculture. However, the service sector also plays an important role in India’s economy. India’s major industries include textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery and software, telecommunication, energy and power, steel and iron, automobiles, banking and insurance, pharmaceutical, port etc. India is a major exporter of highly-skilled workers in software, and financial services,. Due to continuous economic expansion, India has made significant progress in reducing its federal fiscal deficit. However, the massive growth of population is the fundamental social, economic, and environmental problem. Classification of Indian Industries used by the governments is given below:
### Table 4.2.2: Classification of Indian Industries

<table>
<thead>
<tr>
<th>Ind. Code</th>
<th>Description Of Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>201</td>
<td>Slaughtering Preparation and Preservation Of Meat</td>
</tr>
<tr>
<td>202</td>
<td>Manufacture of Dairy Products</td>
</tr>
<tr>
<td>203</td>
<td>Canning And Preservations of Fruits And Vegetables</td>
</tr>
<tr>
<td>204</td>
<td>Canning And Preservations of Fish And Other Sea Foods</td>
</tr>
<tr>
<td>205</td>
<td>Manufacture of Grain Mill Products</td>
</tr>
<tr>
<td>206</td>
<td>Manufacture of Bakery Products</td>
</tr>
<tr>
<td>207</td>
<td>Sugar Factories and Refineries</td>
</tr>
<tr>
<td>208</td>
<td>Manufacture of Cocoa, Chocolate And Sugar Confectionery</td>
</tr>
<tr>
<td>209</td>
<td>Manufacture of Miscellaneous Food Preparations</td>
</tr>
<tr>
<td>211</td>
<td>Distilling, Rectifying and Blending Of Spirits (Alcohol)</td>
</tr>
<tr>
<td>212</td>
<td>Wine Industries</td>
</tr>
<tr>
<td>213</td>
<td>Breweries and Manufacturing Of Malt</td>
</tr>
<tr>
<td>214</td>
<td>Soft Drinks and Carbonated Water Industries</td>
</tr>
<tr>
<td>220</td>
<td>Tobacco Manufactures</td>
</tr>
<tr>
<td>231</td>
<td>Spinning, Weaving and Finishing of Textiles</td>
</tr>
<tr>
<td>232</td>
<td>Knitting Mills</td>
</tr>
<tr>
<td>233</td>
<td>Cordage, Rope and Twine Industries</td>
</tr>
<tr>
<td>239</td>
<td>Manufacture of Textiles Not Elsewhere Classified</td>
</tr>
<tr>
<td>241</td>
<td>Manufacture of Footwear</td>
</tr>
<tr>
<td>242</td>
<td>Repair of Footwear</td>
</tr>
<tr>
<td>243</td>
<td>Manufacture of Wearing Apparel (Except Footwear)</td>
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<tr>
<td>244</td>
<td>Manufacture of Made-up Textile Goods (Excl Wearing Apparel)</td>
</tr>
<tr>
<td>251</td>
<td>Saw Mills, Planing and Other Wood Mills</td>
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<tr>
<td>252</td>
<td>Wooden And Cane Containers And Cane Smallware</td>
</tr>
<tr>
<td>259</td>
<td>Manufacture of Cork And Wood Products N.E.C.</td>
</tr>
<tr>
<td>260</td>
<td>Manufacture of Furniture And Fixtures</td>
</tr>
<tr>
<td>271</td>
<td>Manufacture of Pulp, Paper And Paper Board</td>
</tr>
<tr>
<td>280</td>
<td>Printing, Publishing and Allied Industries</td>
</tr>
<tr>
<td>291</td>
<td>Tanneries and Leather Finishing Plants</td>
</tr>
<tr>
<td>292</td>
<td>Manufacture of Fur Products</td>
</tr>
<tr>
<td>293</td>
<td>Manufacture of Leather Products Excl Footwear/Other Wearing</td>
</tr>
<tr>
<td>300</td>
<td>Manufacture of Rubber Products</td>
</tr>
<tr>
<td>311</td>
<td>Basic Industrial Chemicals, Including Fertilizers</td>
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<tr>
<td>312</td>
<td>Vegetable and Animal Oils and Fats (Except Edible Oils)</td>
</tr>
<tr>
<td>313</td>
<td>Manufacture of Paints, Varnishes and Lacquers</td>
</tr>
<tr>
<td>Number</td>
<td>Description</td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>319</td>
<td>Manufacture of Miscellaneous Chemical Products</td>
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<tr>
<td>321</td>
<td>Petroleum Refineries (Motor &amp; Aviation Spirit, Diesel Etc.)</td>
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<tr>
<td>329</td>
<td>Manufacture of Miscellaneous Products Of Petroleum And Coal</td>
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<tr>
<td>331</td>
<td>Manufacture of Structural Clay Products</td>
</tr>
<tr>
<td>332</td>
<td>Manufacture of Glass and Glass Products</td>
</tr>
<tr>
<td>333</td>
<td>Manufacture of Pottery, China and Earthen-Ware</td>
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<tr>
<td>334</td>
<td>Manufacture of Cement (Hydraulic)</td>
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<tr>
<td>339</td>
<td>Manufacture of Non-Metallic Mineral Products N.E.C.</td>
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<tr>
<td>341</td>
<td>Iron And Steel Basic Industries</td>
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<tr>
<td>342</td>
<td>Non-Ferrous Basic Metal Industries</td>
</tr>
<tr>
<td>350</td>
<td>Manufacture Of Metal Products Except Machinery Equipment</td>
</tr>
<tr>
<td>360</td>
<td>Manufacture Of Machinery Except Electrical Machinery</td>
</tr>
<tr>
<td>370</td>
<td>Manufacture Of Electrical Machinery, Apparatus, Appliances</td>
</tr>
<tr>
<td>381</td>
<td>Shipbuilding And Repairing</td>
</tr>
<tr>
<td>382</td>
<td>Manufacture Of Rail-Road Equipment</td>
</tr>
<tr>
<td>383</td>
<td>Manufacture Of Motor Vehicles</td>
</tr>
<tr>
<td>384</td>
<td>Repair Of Motor Vehicles</td>
</tr>
<tr>
<td>385</td>
<td>Manufacture Of Motor Cycles And Bicycles</td>
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<tr>
<td>386</td>
<td>Manufacture Of Aircraft</td>
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<tr>
<td>389</td>
<td>Manufacture Of Transport Equipment N.E.C.</td>
</tr>
<tr>
<td>391</td>
<td>Manufacture Of Professional And Scientific Instruments</td>
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<td>392</td>
<td>Manufacture Of Photographic And Optical Goods</td>
</tr>
<tr>
<td>393</td>
<td>Manufacture Of Watches And Clocks</td>
</tr>
<tr>
<td>394</td>
<td>Manufacture Of Jewellery And Related Articles</td>
</tr>
<tr>
<td>395</td>
<td>Manufacture Of Musical Instruments</td>
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<tr>
<td>399</td>
<td>Manufacturing Industries Not Elsewhere Classified</td>
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<tr>
<td>511</td>
<td>Electricity (Generation, Transmission And Distribution)</td>
</tr>
<tr>
<td>512</td>
<td>Gas Manufacture And Distribution</td>
</tr>
</tbody>
</table>
Chapter 4.3: Indian FMCG Sector

1. The evolution of Indian FMCG market
2. Report on India FMCG sector
3. List of Major FMCG Companies in India
4.3: Indian FMCG Sector

1. The Evolution of Indian FMCG market

Fast moving consumer goods are the goods purchased by the consumers for their own use and purchased repeatedly. They buy these products on daily or weekly basis in small quantity. The price of such products per unit is low. The consumption of such products is very high due to requirement of every one and large in number of consumers. Indian population is a huge population over 120 crores. A separate sector called FMCG sector is well established in India. India has always been a country with a big chunk of world population, be it the 1950’s or the twenty first century. In that sense, the FMCG market potential has always been very big. However, from the 1950’s to the 80’s investments in the FMCG industries were very limited due to low purchasing power and the government’s favouring of the small-scale sector.

The consumer markets in India are constantly evolving. The first phase of consumer market evolution in the 1980s and the 1990s was characterized by some major structural changes: changes in income distribution, increased product availability (in terms of both quality and quantity), increased competition, increased media penetration and improved advertising (impacting lifestyle). These raised the levels of consumer awareness and propensity to consume, etc. The late 1990s witnessed a surge in consumer finance products owing to steady financial sector reforms in the economy and innovative marketing. The consumer markets in India have entered the second phase of evolution with the turn of the century. The Fast Moving Consumer Goods (FMCG) sector is the fourth largest sector in the economy with a total market size in excess of Rs 60,000 crore. This industry essentially comprises Consumer Non Durable (CND) products and caters to the everyday need of the population.

Hindustan Lever Limited (HLL) was probably the only MNC Company that stuck around and had its manufacturing base in India. At the time, the focus of the organised players like HLL was largely urbane. There too, the consumers had limited choices. However, Nirma’s entry changed the whole Indian FMCG scene. The company focused on the ‘value for money’ plank and made FMCG products like detergents very affordable even to the lower strata of the society. Nirma became a great success story and laid the roadmap for others to follow.
MNC’s like HLL, which were sitting pretty till then, woke up to new market realities and noticed the latent rural potential of India. The government’s relaxation of norms also encouraged these companies to go out for economies of scale in order to make FMCG products more affordable. Consequently, today soaps and detergents have almost 90% penetration in India. Post liberalisation not only saw higher number of domestic choices, but also imported products. The lowering of the trade barriers encouraged MNC’s to come and invest in India to cater to 1bn Indians’ needs. Rising standards of living urban areas coupled with the purchasing power of rural India saw companies introduce everything from a low-end detergent to a high-end sanitary napkin. Their strategy has become two-pronged in the last decade. One, invest in expanding the distribution reach far and wide across India to enable market expansion of FMCG products. Secondly, upgrade existing consumers to value added premium products and increase usage of existing product ranges.

So you could see all companies be it HLL, Godrej Consumer, Marico, Henkel, Reckitt Benckiser and Colgate, trying to outdo each other in getting to the rural consumer first. Each of them has seen a significant expansion in the retail reach in mid-sized towns and villages. Some who could not do it on their own, have piggy backed on other FMCG major’s distribution network (P&G-Marico). Consequently, companies that have taken to rural India like chalk to cheese have seen their sales and profits expanding. For example, currently 50% of all HLL sales come from rural India, and consequently, it is one the biggest beneficiaries of this. There are others, like Nestle, which have till date catered mostly to urban India but have still seen good growth in the last decade. The company’s focus in the last decade has largely been on value added products for the upper strata of society. However, in the last couple of years, even these companies have looked to reach consumers at the slightly lower end.

One of the biggest changes to hit the FMCG industry was the ‘sachet’ bug. In the last 3 years, detergent companies, shampoo companies, hair oil companies, biscuit companies, chocolate companies and a host of others, have introduced products in smaller package sizes, at lower price points. This is the single big innovation to reach new users and expand market share for value added products in urban India, and for general FMCG products like detergents, soaps and oral care in rural India. Another interesting phenomenon to have hit the FMCG industry is the mushrooming of regional companies, which are posing a threat to bigger FMCG
companies like HLL. For example, the rise of Jyothi Laboratories, which has given sleepless nights to Reckitt Benckiser, the ‘Ghari’ detergent, that has slowly but surely built itself to take on Nirma and HLL in detergents, and finally, the rise of ‘Anchor’ in oral care, which has become synonymous with ‘cat’, which walks away with spoils when two monkeys fight (HLL and Colgate). There are numerous other examples of this.

What does all this mean for the future of FMCG industry in India? Undoubtedly, all this is good for the consumers, who can now choose a variety of products, from a number of companies, at different price points. But for the players who cater to the Indian consumer, the future brings a lot more competition. In this environment, only the innovators will survive. Focus will be the key to profitability (ala HLL). From an investor’s point of view, Indian FMCG companies do offer long-term growth opportunities given the low penetration and usage in most product categories. To choose the best investment opportunities look at the shapers (i.e. innovators) that have been constantly proactive to market needs and have built strong, efficient and intelligent distribution channels. Management vision to growth is the key, as consumers going forward are likely to become even more sophisticated in their demand.

The Rs 86,000-crore FMCG industry is expected to witness a lot of action in 2010. With the economy showing signs of revival, the industry is expected to register a more than 12% growth in 2010 as compared to the previous year. “The industry will witness a spate of acquisitions & mergers in the 2010. There will be a renewed focus on rural consumers too,” said an analyst based in Mumbai. The country’s FMCG industry registered a 12% growth in 2009 despite the economic downturn. The captains of the FMCG sector are optimistic about the industry’s performance in the New Year. Godrej Group chairman Adi Godrej said, “With 8% GDP growth and GST implementation, we feel it will be a great year for the FMCG sector in India. The focus area for the Godrej Group will be on FMCG business in 2010.”

Sharing similar sentiments, Amit Burman, vice-chairman of Dabur India said the industry is expected to register a 14% growth this year as India is getting out of the recessionary blues. Our focus would be on OTC healthcare and skincare brands to sustain our growth in this sector,” he added. According to Wipro Consumer Care & Lighting CEO Vineet Agarwal, the industry is expected to perform better in the new year as compared to the previous year. Even
during the economic slowdown, the FMCG industry registered a 12% growth. When you see buoyancy in economy, the industry will further grow in 2010. Our core focus will continue to be on rural consumers,” he said.

Harsh Agarwal, director of Emami Ltd said Emami is looking at both organic and inorganic growth strategy in 2010. “The industry is poised for a double digit growth as the overall growth rate of the country is growing,” he said. Echoing similar views, Saugata Gupta, CEO, Consumer Products, Marico Ltd said the industry will register a 15 % growth in 2010 as compared to the previous year.” I expect the topline growth of the industry to register 15-20 % this year,” he added. Nikhil Vora, managing director, IIDFC SSKI Securities Ltd said the topline of the FMCG is likely to grow by 14.2% y-o-y in Q3FY2010, substantially driven by volume growth. Despite the rise in input costs, FMCG industry is likely to sustain its robust growth momentum aided by increased rural incomes, taxation benefits and gradual shift from the unorganised sector/regional players.

2. Report on India FMCG sector

With the presence of 12.2% of the world population in the villages of India, the Indian rural FMCG market is something no one can overlook. Increased focus on farm sector will boost rural incomes, hence providing better growth prospects to the FMCG companies. Better infrastructure facilities will improve their supply chain. FMCG sector is also likely to benefit from growing demand in the market. Because of the low per capita consumption for almost all the products in the country, FMCG companies have immense possibilities for growth. And if the companies are able to change the mindset of the consumers, i.e. if they are able to take the consumers to branded products and offer new generation products, they would be able to generate higher growth in the near future. It is expected that the rural income will rise in 2007, boosting purchasing power in the countryside. However, the demand in urban areas would be the key growth driver over the long term. Also, increase in the urban population, along with increase in income levels and the availability of new categories, would help the urban areas maintain their position in terms of consumption. At present, urban India accounts for 66% of total FMCG consumption, with rural India accounting for the remaining 34%. However, rural India accounts for more than 40% consumption in major FMCG categories such as personal
care, fabric care, and hot beverages. In urban areas, home and personal care category, including skin care, household care and feminine hygiene, will keep growing at relatively attractive rates. Within the foods segment, it is estimated that processed foods, bakery, and dairy are long-term growth categories in both rural and urban areas.

Indian FMCG industry is expected to grow at a base rate of at least 12% annually to become a Rs 4,000 billion industry in 2020, according to a new report by Booz & Company. The Report titled “FMCG Roadmap to 2020 - The Game Changers” was released at the CII FMCG Forum 2010 in New Delhi Thursday. The Report noted that the positive growth drivers mainly pertain to the robust GDP growth, opening up and increased income in the rural areas of the country, increased urbanization and evolving consumer lifestyle and buying behaviour. The report further revealed that if some of the positive factors – driven mainly by improved and supportive government policy to remove supply constraints – play out favourably, the industry could even see a 17% growth over the next decade, leading to an overall industry size of Rs 6,200 Billion by 2020. The last decade has already seen the sector grow at 12% annually as result of which the sector has tripled in size.

Releasing the report, Booz & Company Partner Abhishek Malhotra said, “While on an aggregate basis the industry will continue to show strong growth, we will see huge variations at multiple levels – product category (e.g. processed foods growing faster than basic staples), companies and geographies.”

“Many Indian customer segments are reaching the tipping point at which consumption becomes broad based and takes off following the traditional “S shaped” curve seen across many markets.” The sector is poised for rapid growth over the next 10 years and by the year 2020, FMCG industry is expected to be larger, more responsible and more tuned to its customers,” he further added.

The Report identifies 9 key mega trends across consumers, markets and environment that will have a significant impact in shaping how the industry will look like in year 2020.

(a) Increasing Premiumization
Continued income growth coupled with increased willingness to spend will see consumers’ up-trading, creating demand for higher priced and increased functionality (real or perceived) products. The size of this segment will be large.

(b) Evolving Categories
Many consumers will move up the ladder and will shift from basic “need” to “want” based products. In addition evolving behaviour and emphasis on beauty, health & wellness will see increased requirements for customized and more relevant product offerings.

(c) Value at BoP
Significant majority of the population in the country, especially in the rural markets, will become a consumption source by moving beyond the “survival” mode. This segment will require tailored product at highly affordable prices which will come with the potential of very large volumes.

(d) Increasing Globalisation
While many leading MNCs have operated in the country for years given the liberal policy environment, the next 10 years will see increased competition from Tier 2 and 3 global players. In addition, larger Indian companies will continue to seek opportunities internationally and also have an access to more global brands, products and operating practices.

(e) Decentralization
Despite the complexity of the Indian market (languages, cultures, distances) the market has mainly operated in a homogenous set-up. Increased scale and spending power will result in more fragmented and tailored business models (products, branding, operating structures).

(f) Growing Modern Trade
Modern trade share will continue to increase and is estimated to account for nearly 30% by year 2020. This channel will complete existing traditional trade (~8 million stores which will
continue to grow) and offer both a distribution channel through its cash & carry model as well as more avenues to interact with the consumer.

(g) Focus on Sustainability
Global climatic changes, increasing scarcity of many natural resources (e.g. water, oil) and consumer awareness (e.g. waste) are leading to increased concerns for the environment. The pressure on companies to be environmentally responsible is gradually increasing due to involvement of various stakeholders – from government (through policy) to consumers (through brand choice) and NGOs (through awareness).

(h) Technology as a Game Changer
Increased and relevant functionality coupled with lower costs will enable technology deployment to drive significant benefits and allow companies to address the complex business environment. This will be seen both in terms of efficiencies in the back-end processes (e.g. supply chain, sales) as well as the front-end (e.g. consumer marketing).

(i) Favourable Government Policy
Many government actions – in discussions as well as planned – will help in creating a more suitable operating environment. This will be done both on the demand side by increased income and education as well as on the supply side by removing bottlenecks and encouraging investments in infrastructure.

The confluence of many of these change drivers – consumers, technology, government policy, and channel partners – will have a multiplication impact and magnify both the amount as well as the pace of change. Winning in this new world will require enhancing current capabilities and building new ones to bridge gaps. In this new world FMCG companies will have 6 imperatives from a business strategy perspective: disaggregating the operating model, winning the talent wars, bringing sustainability into the strategic agenda, re-inventing marketing for ‘i-consumers’, re-engineering supply chains, partnering with modern trade. The report urges the need for other stakeholders – government, retailers, NGOs and investors
–to play a key role and evolve in a similar fashion to support the growth of the industry while continuing to deliver on their core business and social mandates.

3. List of Major FMCG Companies in India

The Indian FMCG sector is the fourth largest in the economy and has a market size of US$13.1 billion. Well-established distribution networks, as well as intense competition between the organised and unorganised segments are the characteristics of this sector. FMCG in India has a strong and competitive MNC presence across the entire value chain. It has been predicted that the FMCG market will reach to US$ 33.4 billion in 2015 from US $ billion 11.6 in 2003. The middle class and the rural segments of the Indian population are the most promising market for FMCG, and give brand makers the opportunity to convert them to branded products. Most of the product categories like jams, toothpaste, skin care, shampoos, etc, in India, have low per capita consumption as well as low penetration level, but the potential for growth is huge.

The Indian Economy is surging ahead by leaps and bounds, keeping pace with rapid urbanization, increased literacy levels, and rising per capita income. The big firms are growing bigger and small-time companies are catching up as well. According to the study conducted by AC Nielsen, 62 of the top 100 brands are owned by MNCs, and the balance by Indian companies. Fifteen companies own these 62 brands, and 27 of these are owned by Hindustan Lever. Pepsi is at number three followed by Thums Up. Britannia takes the fifth place, followed by Colgate (6), Nirma (7), Coca-Cola (8) and Parle (9). These are figures the soft drink and cigarette companies have always shied away from revealing. Personal care, cigarettes, and soft drinks are the three biggest categories in FMCG. Between them, they account for 35 of the top 100 brands.

The companies mentioned in Exhibit I, are the leaders in their respective sectors. The personal care category has the largest number of brands, i.e., 21, inclusive of Lux, Lifebuoy, Fair and Lovely, Vicks, and Ponds. There are 11 HLL brands in the 21, aggregating Rs. 3,799 crore or 54% of the personal care category. Cigarettes account for 17% of the top 100 FMCG sales,
and just below the personal care category. ITC alone accounts for 60% volume market share and 70% by value of all filter cigarettes in India.

Table 4.3.1: The Top 10 Companies in FMCG Sector

<table>
<thead>
<tr>
<th>S. NO.</th>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Hindustan Unilever Ltd.</td>
</tr>
<tr>
<td>2.</td>
<td>ITC (Indian Tobacco Company)</td>
</tr>
<tr>
<td>3.</td>
<td>Nestlé India</td>
</tr>
<tr>
<td>4.</td>
<td>GCMMF (AMUL)</td>
</tr>
<tr>
<td>5.</td>
<td>Dabur India</td>
</tr>
<tr>
<td>6.</td>
<td>Asian Paints (India)</td>
</tr>
<tr>
<td>7.</td>
<td>Cadbury India</td>
</tr>
<tr>
<td>8.</td>
<td>Britannia Industries</td>
</tr>
<tr>
<td>9.</td>
<td>Procter &amp; Gamble Hygiene and Health Care</td>
</tr>
<tr>
<td>10.</td>
<td>Marico Industries</td>
</tr>
</tbody>
</table>

The foods category in FMCG is gaining popularity with a swing of launches by HLL, ITC, Godrej, and others. This category has 18 major brands, aggregating Rs. 4,637 crore. Nestle and Amul slug it out in the powders segment. The food category has also seen innovations like softies in ice creams, chapattis by HLL, ready to eat rice by HLL and pizzas by both GCMMF and Godrej Pillsbury. This category seems to have faster development than the stagnating personal care category. Amul, India's largest foods company, has a good presence in the food category with its ice-creams, curd, milk, butter, cheese, and so on. Britannia also ranks in the top 100 FMCG brands, dominates the biscuits category and has launched a series of products at various prices.

In the household care category (like mosquito repellents), Godrej and Reckitt are two players. Goodknight from Godrej, is worth above Rs 217 crore, followed by Reckitt's Mortein at Rs
149 crore. In the shampoo category, HLL's Clinic and Sunsilk make it to the top 100, although P&G's Head and Shoulders and Pantene are also trying hard to be positioned on top. Clinic is nearly double the size of Sunsilk.

Dabur is among the top five FMCG companies in India and is a herbal specialist. With a turnover of Rs. 19 billion (approx. US$ 420 million) in 2005-2006, Dabur has brands like Dabur Amla, Dabur Chyawanprash, Vatika, Hajmola and Real. Asian Paints is enjoying a formidable presence in the Indian sub-continent, Southeast Asia, Far East, Middle East, South Pacific, Caribbean, Africa and Europe. Asian Paints is India's largest paint company, with a turnover of Rs.22.6 billion (around USD 513 million). Forbes Global magazine, USA, ranked Asian Paints among the 200 Best Small Companies in the World.

Cadbury India is the market leader in the chocolate confectionery market with a 70% market share and is ranked number two in the total food drinks market. Its popular brands include Cadbury's Dairy Milk, 5 Star, Eclairs, and Gems. The Rs.15.6 billion (USD 380 Million) Marico is a leading Indian group in consumer products and services in the Global Beauty and Wellness space.

There is a huge growth potential for all the FMCG companies as the per capita consumption of almost all products in the country is amongst the lowest in the world. Again the demand or prospect could be increased further if these companies can change the consumer's mindset and offer new generation products. Earlier, Indian consumers were using non-branded apparel, but today, clothes of different brands are available and the same consumers are willing to pay more for branded quality clothes. It's the quality, promotion and innovation of products, which can drive many sectors.

4. List of major FMCG Companies in India Segment Wise

- Hindustan Unilever Limited: Hindustan Unilever Limited (abbreviated to HUL), formerly Hindustan Lever Limited, is India's largest consumer products company and was formed in 1933 as Lever Brothers India Limited. 18,079 hits
• **ITC Ltd.** : ITC is one of India's foremost private sector companies with a market capitalisation of nearly US $ 15 billion and a turnover of over US $ 4.75 billion. 12,231 hits

• **Nestle India** : Nestl India is a subsidiary of Nestl S.A. of Switzerland. 9,603 hits

• **Britannia Industries Ltd** : Biscuits, bread, cakes, dairy products 8,415 hits

• **Emami Limited** : Personal care, beauty care, health care 7,216 hits

• **Colgate-Palmolive (India) Limited** : Oral care, personal care, skin care products 6,777 hits

• **Dabur India Limited** : Consumer care products, ayurvedic specialities 6,487 hits

• **Radico Khaitan Limited** : Radico Khaitans product range comprises whiskey, rum, vodka, gin, and brandy. Brands include 8PM Whiskey, Contessa Rum, Old Admiral Brandy, and Magic Moments Vodka, amongst others. 6,479 hits

• **Nirma Limited** : Nirma is one of the few names - which is instantly recognized as a true Indian brand 6,476 hits

• **Procter & Gamble Hygiene and Health Care Limited** : Health care, feminine hygiene products 6,476 hits
Chapter 4.4: Companies in Indian FMCG Sector

1. Introduction
2. Dabur India Limited
3. Hindustan Unilever Limited
4. Procter & Gamble
5. Colgate-Palmolive
6. ITC Limited
4.4: Companies in Indian FMCG Sector

1. Introduction

India is one of the fast developing economies in the world and its population and territory are big also. Population is nearly 120 crore and territory is from J and K to Kerala, from Assam to Gujarat is very wide. The industries are of different types and markets are of different types and can be segmented as urban, sub-urban and rural markets. The rural market is very wide and still it is difficult to cover. Nearly 70 percent of Indian population is living in rural areas. There is a great opportunity for companies in Indian markets including FMCG sector for the companies in Indian markets. Up to 1991 Indian economy was a protected economy and in this year due to liberalization a good number of MNCs have entered in India market and mainly in FMCG sector also. There is tough competition from local and foreign companies in Indian markets. They have started producing products like skin care, toothpaste, toiletries, fast food, chocolates, cosmetics and many other products. The FMCG sector is flooded by companies from India and abroad. In future the level of competition would increase further. The situation in Indian economy is very favourable for foreign companies. The major factors attracting them are availability of raw materials, low labour cost, market potential for consumption and more disposable income of Indian customers. Moreover the GDP in Indian economy is increasing every year so per capita income increasing and there is scope for further development. At present large and small companies are operating in Indian FMCG sector. There is a big list of companies in FMCG sector in India. For the study purpose five companies leading one with foreign and Indian origin are selected. These companies are explained below:

2. Dabur India Limited

(a) History

Dabur India Limited is a leading Indian consumer goods company with interests in Hair Care, Oral Care, Health Care, Skin Care, Home Care and Foods. From its humble beginnings in the bylanes of Calcutta way back in 1884 as an Ayurvedic medicines company, Dabur India Ltd has come a long way today to become a leading consumer products manufacturer in India. For the past 125 years, we have been dedicated to providing nature-based solutions for a healthy
and holistic lifestyle. Through our comprehensive range of products, we touch the lives of all consumers, in all age groups, across all social boundaries. And this legacy has helped us develop a bond of trust with our consumers. That guarantees you the best in all products carrying the Dabur name. With a basket including personal care, health care and food products, Dabur India Limited has set up subsidiary Group Companies across the world that can manage its businesses more efficiently. Given the vast range of products, sourcing, production and marketing have been divested to the group companies that conduct their operations independently. Dabur's mission of popularizing a natural lifestyle transcends national boundaries. Today, there is growing global awareness on alternative medicine, nature-based and holistic lifestyles and an interest in herbal products. Dabur has been in the forefront of popularising this alternative way of life, marketing its products in more than 60 countries all over the world. Over the years, Dabur's overseas business has successfully transformed from being a small operation into a multi-location business spreading through the Middle East, North Africa, West Africa and South Asia.

Dabur has spread itself wide and deep to be close to our overseas consumers. Overseas product portfolio is tailor-made to suit the needs and aspirations of our growing consumer base in the international markets. Strategic partnerships with leading multinational food and health care companies to introduce innovations in products and services. Six modern manufacturing facilities spread across South Asia, Middle East and Africa to optimise production by utilising local resources and the most modern technology available. The journey of the company stated in 1884 and it was founded by Doctor Burman and after his name the name Dabur derived. Dr. Burman was a young and qualified person took venture to start this company. It started humbly and developed to a leading manufacturer of consumer healthcare, personal care and food products. At present it has over 125 years of proven track record of business.

Under one brand name Dabur it has marketed a variety of products, ranging from hair care to honey, oil, chyawanprash, Amla, Vatika, Hajmola and Real. The company is taking care of young and old generation demands into mid for development of products. It is having its manufacturing plants mainly in hilly areas where it can get the raw materials of herbs for production of ayurvedic medicines and other products. In 1936 Dr. Burman established
Dabur India Limited. From its beginning it has launched many products and these are doing successful business in Indian as well as foreign markets on the basis of trust and loyalty. The products are consumer friendly with almost no side effects on human body. This company has development its own research laboratory for development and testing of the products. The future of the company is very bright at least in Indian markets.

(b) Products of Dabur

Dabur India Limited is a leading Indian consumer goods manufacturer of Hair Care, Oral Care, Health Care, Skin Care, Home Care and Foods. The company is committed to provide natural solution healthy and holistic lifestyle. The products are herbal based and very friendly to the health without any adverse effects. The company is manufacturing a variety of products and marketing with trust and on the basis of loyalty of customers in India and abroad. Through research and development facilities the products are developed as per the emerging demands of the customers. Dabur is manufacturing products and medicines related to ayurvedic area. It is having a long list of its products for customers to use. The list of the products is appended below;

• **Hair care products:** Dabur amla hair oil, Dabur hair oil sikakai, Dabur vatika hair oil, Dabur amla hair oil lite, Dabur special hair oil, Dabur jasmine hair oil, Dabur jasmine hair oil, Parachute coconut oil, Cocoraj coconut oil, Dabur anmol coconut oil

• **Soaps:** Dabur neem soap, Dabur sandalwood soap, Dabur sandalwood soap, Dabur aloe vera soap

• **Ayurvedic medicines:** Dabur hajmola tablets, Dabur shilajit health tonic, Dabur hingwastak churan, Dabur nature care triphla, Dabur hajmola candy, Dabur herbal toothpaste, Basil, Sat isabgol, Dabur nature care triphla, Dabur hingwastak churan, Dabur lavan bhaskar churan, Dabur honey, Dabur sitopaladi churan, Dabur pudin hara pearls

• **Dabur healthcare products:** Dabur chyawanprakash - sugar free, Dabur chyawanshakti - energy food, Dabur chyawanprash, , Dabur chyawan junior, Chocolate flavoured health drink for kids.
(c) SWOT Analysis of Dabur India

SWOT is the process and it stands for Strengths, Weaknesses, Opportunities and Threats, and is an important tool often used to highlight where a business or organisation is, and on the basis of this the company can take the strategic decisions for the business in the future. It looks at internal factors, the strengths and weaknesses of a business, and external factors, the opportunities and threats facing the business. This process highlights strength, weakness, opportunities in the markets and threats to the business of the company. The SWOT analysis of Dabur would make the position of the company clear and it can assess the capacity of the company and the market positions for the business. The SWOT process for Dabur is carried out as follows:

(i) Strengths: It highlights the plus points of the company internally. It shows the position of the company relating to its resources, management approach etc. On the basis of this management can dare to take further steps. The strengths of the company are:

- Support from leading businesses houses from abroad.
- Financial position of the company is sound.
- Research and development facilities are adequate for further development of the products.
- Market position is well maintained
- Niche marketing strategy is doing well.

(ii) Weaknesses:

- The impact of Dabur products is slow and of low quality and that is to be improved;
- Production and operating costs are higher and these reduce the profits of the company.
- Dabur India’s R&D facilities are comparatively inadequate and needs improvements.
- In experienced staff sometimes creating problems and giving weak performance.
- Old and outdated technologies not helping in production of more production of higher quality.
- Lack of innovative approach in the company exists.
(iii) Opportunities

- Indian market is very wide and having great potential for further development.
- The knowledge of the company regarding customers and their profile is good.
- The availability of raw materials and low labour cost is another opportunity.
- Less level of competition is herbal based products

(iv) Threats

- Export expansion chances are very less.
- Competition is slowly increasing and for further it would be threat.
- Higher inflation increasing the total costs

(d) Recent Performance

Dabur India limited is one of the leading companies in India producing herbal products mainly. Its progress is very attractive and hopes it would maintain in future also. It has a large number of products in its portfolio and developing further also. It has its business in India as well as in other countries outside of India. In recent past worldwide economies were facing recession so the demands of the products of MNCs were down whereas the demand, sales, revenue and profit of this company did not fall. Sincere efforts of the management are there to sustain its growth rate further also. The result of the last financial year shows the performance below:

<table>
<thead>
<tr>
<th></th>
<th>Q3 FY10</th>
<th>Q3 FY09</th>
<th>% yoy</th>
<th>Q2 FY10</th>
<th>% qoq</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>9,262</td>
<td>7,787</td>
<td>18.9</td>
<td>8,480</td>
<td>9.2</td>
</tr>
<tr>
<td>Material cost</td>
<td>(3,620)</td>
<td>(3,317)</td>
<td>9.1</td>
<td>(3,311)</td>
<td>9.3</td>
</tr>
<tr>
<td>Purchase of FG</td>
<td>(584)</td>
<td>(651)</td>
<td>(10.3)</td>
<td>(507)</td>
<td>15.3</td>
</tr>
<tr>
<td>Personnel cost</td>
<td>(731)</td>
<td>(621)</td>
<td>17.8</td>
<td>(722)</td>
<td>1.2</td>
</tr>
<tr>
<td>Advertising cost</td>
<td>(1,349)</td>
<td>(876)</td>
<td>54.1</td>
<td>(1,202)</td>
<td>12.3</td>
</tr>
<tr>
<td>Other overheads</td>
<td>(1,204)</td>
<td>(1,033)</td>
<td>16.6</td>
<td>(984)</td>
<td>22.3</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,773</td>
<td>1,290</td>
<td>37.5</td>
<td>1,754</td>
<td>1.1</td>
</tr>
<tr>
<td>OPM (%)</td>
<td>19.1</td>
<td>16.6</td>
<td>258 bps</td>
<td>20.7</td>
<td>(154) bps</td>
</tr>
</tbody>
</table>
Dabur India Ltd has posted a net profit of Rs. 1271.70 mn for the quarter ended December 31, 2010 as compared to Rs. 1201.30 mn for the quarter ended December 31, 2009. Total Income has increased from Rs. 8012.60 mn for the quarter ended December 31, 2009 to Rs. 9101.20 million for the quarter ended December 31, 2010. For the Consolidated period for the quarter ended December 31, 2010, the Group has posted a net profit after minority interest of Rs. 1544.50 million for the quarter ended December 31, 2010 as compared to Rs. 1393.00 million for the quarter ended December 31, 2009. Total Income has increased from Rs. 9323.60 mn for the quarter ended December 31, 2009 to Rs. 10888.30 mn for the quarter ended December 31, 2010.

3. Hindustan Unilever Limited

(a) History
Hindustan Lever Ltd (HLL) is India's largest and highly progressive company in FMCG sector. HLL's brands like Lifebuoy, Lux, Surf Excel, Rin, Wheel, Fair & Lovely, Pond's, Sunsilk, Clinic, Pepsodent, Close-up, Lakme, Brooke Bond, Kissan, Knorr-Annapurna, Kwality Wall's are household names across the country and span a host of categories, such as soaps, detergents, personal products, tea, coffee, branded staples, ice cream and culinary products. These products are manufactured over 40 factories across India and the associated
operations involve over 2,000 suppliers and associates. Hindustan Lever Limited's distribution network comprises about 4,000 redistribution stockists, covering 6.3 million retail outlets reaching the entire urban population, and about 250 million rural consumers. HLL is also one of India's largest exporters. It has been recognised as a Golden Super Star Trading House by the Government of India. Presently, HLL has over 16,000 employees including over 1,200 managers. Its mission is to "add vitality to life." The Anglo-Dutch company Unilever owns a majority stake in Hindustan Lever Limited.

Hindustan Unilever Limited (HUL), a 52%-owned subsidiary of Anglo-Dutch giant Unilever, has been working its way into India since 1888, when it started selling its products there. As India's largest consumer goods firm, HUL markets more than 400 brands that include beverages, food, and home and personal care goods. Some of its names include Kwality Wall's ice cream, Sunlight dish detergent, Lifebuoy soap, Lipton tea, Pepsodent toothpaste, and Surf laundry detergent. HUL markets atta (a type of meal), maize, rice, and salt, and its export division ships castor oil and fish. The company also sells bottled water and over-the-counter healthcare items. It licenses its Lakmé and Lever Ayush brands.

Hindustan Lever Limited (HLL) is India's leading consumer goods supplier, with a focus on the Fast-Moving Consumer Goods (FMCG) category that includes detergents, soap, shampoo, deodorant, toothpaste, and other personal care items, and cosmetics. HLL's personal care brands include soap brands such as Lux, Lifebuoy, Liril, Breeze, Dove, Pear's, and Rexona; shampoos and hair coloring brands including Sunsilk Naturals and Clinic; skin care brands Fair & Lovely and Pond's; and oral care brands Pepsodent and Close-Up. The company's cosmetic line is led by the Lakme brand; HLL also produces a line of Ayurvedic personal and healthcare items under the Ayush brand. In addition to the FMCG segment, HLL has developed a line of food items, primarily under the Kissan and Knorr Annapurna brands, as well as the ice cream brand Kwality Wall's. In the early 2000s, HLL also acquired baked goods producer Modern Food Industries. In addition to its domestic brand family, HLL sells bulk foods, including maize, rice, salt, and atta. HLL is also an active exporter, shipping its FMCG and food brands, as well as rice; marine products including surimi, shrimp, crabsticks, and others; and castor oil. HLL has completed a restructuring of its business in the first half of the 2000s, streamlining its brand portfolio, from 110 brands to 35 "power" brands, while
exiting a number of businesses, such as teas (sold to the Woodbriar Group in 2006) and specialty chemicals. HLL maintains a strong manufacturing presence in India, with some 80 factories located throughout the country; the company also subcontracts to more than 150 third-party producers. HLL is itself a subsidiary of Unilever, which controls 51.55 percent of the group. HLL is listed on the Mumbai stock exchange.

(i) **Indian manufacturing base starting in 1931:** England's Lever Brothers began importing their Sunlight brand soap into India in the late 1880s. By 1895, Lever had introduced another of its brands, Lifebuoy, which became the company's longest-running successful brand in India. Other Lever brands followed into the beginning of the next century, including the Lux soap flake brand in 1905; and scouring powder Vim as well as soap brand Vinolia in 1913. Lever Brothers, by then well into an international expansion that would see the company become one of the world's top multinationals, also acquired and introduced a number of other brands into the Indian market, including Pear's soap, in 1917. By 1930, Lever Brothers, which also had entered areas such as food production, including edible oils and margarine, had merged with The Netherlands' Margarine Unie, forming Unilever.

Unilever's Indian sales were based on imports into the early 1930s. The company had begun planning, however, to establish a manufacturing presence in the Indian subcontinent as early as 1923. The company began talks with the British and Indian authorities, and finally received permission to build its first factory in 1931. In that year, the company incorporated a new subsidiary, Hindustan Vanaspati Manufacturing Company, to produce edible oils. That company opened a production facility in Sewri in 1932. Two years later, the company added another subsidiary, Lever Brothers India Limited, for the production of soap, and began construction of a factory next to its Vanaspati facility. That company launched production of Sunlight-branded soap at a factory in Bombay in 1934. In that year, as well, the company took over production at the Calcutta factory of another company, Northwest Soap, where it began producing the Lever brand family. That factory, known as the Garden Reach factory, added production of a line of personal care products in 1943. In 1935, Unilever added a third subsidiary in India, United Traders Limited. This unit was created to provide marketing support for the company's other operations, tailoring the group's sales to the specifics of the Indian population. Through the 1940s, Unilever's Indian unit began extending its sales
network throughout India, building up its own sales team, and adding sales offices in Mumbai, Chennai, Calcutta, Karachi, and elsewhere.

The transition of Unilever's multiple businesses to the single Hindustan Lever Limited began in the 1940s. In 1944, the three Indian companies were reorganized under a unified management. Nonetheless, the companies retained separate sales and marketing businesses. In the meantime, the company had launched an effort to transition the company from one led almost entirely by foreign and, in large part, European management, to one staffed primarily by Indians. This effort began in 1942, when the company began training Indians for its junior and then senior management positions. By 1951, the company appointed an Indian, Prakash Tandon, to the managing director's position. Tandon led the merger of the three Indian subsidiaries into a single entity, Hindustan Lever Limited (HLL), in 1956. By the end of the decade, Tandon had taken over the chairman's position as well. By then, nearly all of the group's management positions were filled by Indians. HLL was then taken public, as Unilever reduced its stake in the company in favor of domestic shareholders. By 1980, Unilever's stake in HLL had dropped to less than 52 percent.

HLL already produced a wide range of consumer goods for the Indian market by the early 1960s. In 1962, the company launched its own export operations as well, in a move made in part to bring foreign exchange capital into the struggling Indian economy. HLL's exports reflected the company's own multifaceted operations. In addition to producing and supplying raw materials and finished products, including a number of specialty chemicals and tea, in the support of the international Unilever brand family, HLL also developed a bulk goods export business. For this the company focused on Indian-specific goods, such as castor oil, Basmati rice, and a variety of marine products, including shrimp and surimi.

HLL set up a new headquarters in Mumbai in 1963. The following year, the company entered the dairy industry, establishing its Etah dairy and launching the Anik brand of ghee (a prepared butter product used in Indian cooking). The company also began producing animal feed that year. Meanwhile, HLL launched a new shampoo, Sunsilk, for the Indian market. By the end of the decade, HLL had launched a number of other successful brands, including Signal toothpaste, Taj Mahal tea, Bru coffee, and Clinic shampoo, launched in 1971. By then,
the company had firmly established itself as the leading producer of so-called "fast-moving consumer goods." Part of the company's success came from its highly active sales network. A significant proportion of India's population, which would top one billion before the dawn of the 21st century, still lived in rural regions and in extreme poverty. For much of this population, personal care products remained luxury items. Yet the company recognized the importance of building its brands in this region as well, and as such the company developed a vast sales network. Much of this network was based on an army of independent, direct sales agents, who hawked the company's products in the country's more than 150,000 villages.

Into the 1970s, HLL also began diversifying beyond its consumer goods operations. The company opened the Hindustan Lever Research Center, in Mumbai, in 1967. This led the group to begin producing fine chemicals in 1969. By 1971, the company had received permission from Unilever to enter the production of industrial chemicals. The company began construction of a pilot plant for this operation in Taloja in 1974. This unit was completed in 1976. In that year, HLL launched the construction of a larger chemicals complex, at Haldia. That facility began producing sodium tripolyphosphate in 1979. The production of these chemicals enabled HLL to begin producing synthetic detergents at Jammu in 1977. Through the 1980s, HLL continued to develop its businesses. In 1986, the company set up an agri-products business, based in Hyderabad, which began producing hybrid seeds that year. HLL also added a new soap production facility in Khamgaon, and a personal products factory in Yavatmal that year. HLL's growth had nonetheless been limited by restrictions put into place by the Indian government's quasi-socialist economic policies. In 1991, however, in the face of a major economic crisis, the government was forced to liberalize the country's economy. This opened up a new era of opportunity for HLL.

(ii) Power brand focus into the 21st century: A major step forward for the group came in 1993, when the company acquired its leading rival, Tata Oil Mills. By then, HLL also had met with success in the detergents category, with the launch of its Surf Ultra brand. This brand targeted the country's middle class, which, with the liberalization of the country's economy, was also becoming one of the fastest growing segments of India's population. In a further move to target this population, the company launched a new, high-end detergent brand, Surf Excel, in 1996. By the mid-1990s, HLL's revenues had topped $540 million. The company
also had launched its first foreign subsidiary, establishing Nepal Lever Limited. That unit began producing soaps and detergents and other products within the HLL brand family, both for the Indian and Nepal market, as well as for the larger export market.

HLL also began developing a series of joint venture partnerships in the 1990s. In 1995, the company teamed up with Tata, this time forming a 50-50 joint venture with Tata's Lakme cosmetics group. HLL bought the Lakme brand family just three years later, taking full control of Lakme Lever. By then, the company also had formed a joint venture with Kimberly-Clark, which began marketing the Huggies diaper and Kotex sanitary pad brands in India. HLL also deepened its food brands during the 1990s and into the 2000s. The company acquired Kwality and Milkfood, which included the Kwality Wall's ice cream brand. In 2000, HLL marked the beginning of a new era in India's economy, when it acquired 74 percent of Modern Food Industries Limited. A major baked goods business in India, Modern Food had previously been owned by the Indian government, and marked HLL's extension into an entirely new product category. HLL subsequently acquired full control of Modern Food in 2002.

The first half of the 2000s nonetheless represented a difficult period for the company, which was faced with an economic slowdown in its core Indian markets. At the same time, HLL underwent a dramatic restructuring as part of the parent company's global "power brand" strategy. The company began streamlining its brand portfolio, which had grown to some 110 brands by the beginning of the decade, cutting that number back to just 35 brands by mid-decade. As part of this refocus, HLL also began selling off its noncore operations, including its chemicals businesses. That process was completed in large part with the sell-off of the last of HLL's tea plantation and production units, Tea Estates India, which was sold to a subsidiary of the Woodbriar Group in 2006.

By then, HLL appeared to have once again moved into a growth phase, posting revenue gains of 9 percent, and net profit growth of some 23 percent, over the previous year. HLL also prepared to enter a new management era; in 2006, the company appointed Douglas Baillie, who previously headed Unilever's operations in Africa, as the company's CEO. That appointment placed a non-Indian at the head of the company for the first time in more than 40
years. HLL appeared certain to clean up in India's consumer goods market for decades to come. In February 2007, the company has been renamed to "Hindustan Unilever Limited" to strike the optimum balance between maintaining the heritage of the Company and the future benefits and synergies of global alignment with the corporate name of "Unilever". Hindustan Unilever Limited has informed that Mr. Sanjiv kakkar, Executive Director, Sales & Customer Development has been appointed Chairman, Unilever Russia, Ukraine and Belarus (RUB), with effect from 1st September, 2008. HUL completes 75 years on 17th October 2008

(iii) principal subsidiaries: Bon Limited; Daverashola Tea Company Limited; Hindlever Trust Limited; Indexport Limited; Indigo Lever Shared Services Limited; International Fisheries Limited; KICM (Madras) Limited; Kimberly-Clark Lever Private Limited (50%); Lever India Exports Limited; Levers Associated Trust Limited; Levindra Trust Limited; Lipton India Exports Limited; Merryweather Food Products Limited; Modern Food and Nutrition Industries Limited; Modern Food Industries (India) Limited; Nepal Lever Limited (Nepal) (80%); Ponds Exports Limited; Quest International India Limited (49%); Thiashola Tea Company Limited; TOC Disinfectants Limited.


(b) Hindustan Lever Ltd - Products

With 400 brands spanning 14 categories of home, personal care and foods products, no other company touches so many people's lives in so many different ways. Brand portfolio has made us leaders in every field in which we work. It ranges from much-loved world favourites including Lipton, Knorr, Dove and Omo, to trusted local brands such as Blue Band and Suave. From comforting soups to warm a winter's day, to sensuous soaps that make customers feel fabulous, and products help people get more out of life. HUL is constantly enhancing its brands to deliver more intense, rewarding product experiences. It invests nearly €1 billion every year in cutting-edge research and development, and has five laboratories around the
world that explore new thinking and techniques to help develop products. Consumer research plays a vital role in its brands' development. They are constantly developing new products and developing tried and tested brands to meet changing tastes, lifestyles and expectations. And our strong roots in local markets also mean they can respond to consumers at a local level. By helping improve people's diets and daily lives, can help them keep healthier for longer, look good and give their children the best start in life. There is a big list of products of this company and explained below:

(i) **Health & personal care**

- First launched in France in 1983, leading male grooming brand, Axe, now gives guys the edge in the mating game in over 60 countries
- Oral care brands Mentadent, Pepsodent and Signal have teamed up with the world's largest dental federation, the FDI, which represents over 750 000 dentists around the world
- Lux became the first mass-marketed soap when it launched in 1924. Today it achieves annual global sales of over €1 billion
- Domestos is a best-selling brand in nine of the 35 countries in which it's sold
- Recent breakthroughs at Rexona include Rexona Crystal, a deodorant that eliminates unsightly white deposits on dark garments
- Small & Mighty concentrated liquid fits into a smaller bottle, requiring half the packaging, water and lorries to transport it, making it kinder on the environment
- Hindustan Unilever in India has launched a hand-wash product, Surf Excel Quick Wash, with a low foaming formulation, reducing the amount of water needed for rinsing by up to two buckets per wash.

(ii) **Foods**

- Knorr is our biggest food brand with a strong presence in over 80 countries and a product range including soups, sauces, bouillons, noodles and complete meals
- Lipton's tea-based drinks include the international Lipton Iced Tea range, the Lipton range in North America and Lipton Yellow Label, the world's favourite tea brand
• Becel/Flora pro.activ products have been recognised as the most significant advancement in the dietary management of cholesterol in 40 years
• In the mid-1990s it led the industry with a programme to eliminate almost all trans fat from margarine
• World's largest ice cream manufacturer, thanks to the success of Heartbrand which includes Magnum, Cornetto, Carte d'Or and Solero, and Ben & Jerry's and Breyers in the US.

(c) Hindustan Lever Limited - SWOT Analysis
Hindustan Unilever Limited (HUL) is a packaged mass consumption fast moving consumer goods (FMCG) company based in India. It offers foods, beverages, home care and personal care products. The company primarily operates in India. It is headquartered in Mumbai, India and employs 41,000 people. Since long it is leader in India FMCG market and position is going day by day stronger. It has a large number of world renowned brands in its portfolio. The customers are scattered in urban, suburban and rural areas in India. A vast territory is covered by this company and still there is great potential for further development. SWOT analysis of this sector is carried as follows:

Strengths:
• HUL has its subsidiaries across the world and has production, marketing and research facilities across the world. The distribution network of this company is very strong since long.
• Profit generated every year so reserves are of huge amount for further developments
• Leader in the market with high market shares.
• Supported with advance technology and cooperative manpower.

Weaknesses:
• Export of its products is low because it has its units across the world.
• There is no major weakness of the company in India.

Opportunities:
• Indian market is very large and still it is uncovered.
• Export potential is there and can be utilized.
• Opportunity for boosting sales and revenue is very good.
• Low cost operations in India due to availability of raw materials and cheap labour costs.

Threats:
• Imports from China at lower cost creating difficulty.
• Government policies and tax regulation are necessary to be implemented.
• Slowdown in demand due to local factors in India economy.
• From internal and external foreign player tough competition is being faced.

(d) Hindustan Unilever Limited - Recent Performance

The competition level in Indian FMCG sector is very high. The competition is faced from MNCs and local players strongly. Heavy expenses are made on advertising and other promotional methods for promoting their brands to gain product awareness, customer base, and their shares of the customers’ wallets. To facilitate launch new products and re-launch of existing products companies are increasing their research and development expenditure. The research and development, and promotional efforts add to the costs of the company and lower the profitability of the company. HUL has consistently been the top advertisement spender over the years with expenditure of Rs 650 crore in the year 2008. Second largest spending is Rs 240 crore by a telecom company. P&G India and Colgate-Palmolive, other FMCG players, also feature in the top 10 advertisers list. HUL has increased its advertising expenses by 26.56% in CY'07. Also the money spent in Research and Development which facilitates new product launches and re-launches of existing products has seen a raise by 38.16% in the same year.

Harish Manwani, Chairman commented that in an environment of heightened competitive intensity we have accelerated volume growth, ahead of market. Broad based actions have been taken to enhance competitiveness of our brands, build new segments, expand offerings in Foods and improve the overall quality of our innovations and speed to market. These initiatives have started to yield positive results.
(i) **For quarter ended March 2010:** The net sales for Q4 have increased by 8% to Rs 4380.24 crore including the other operating income of Rs 64.49 crore. Other operational income includes charge of Rs 0.19 crore on account of foreign exchange Mark to Market (MTM) valuation of open forward contracts & monetary items. Domestic Consumer and FMCG business grew 8%, driven by strong 11% volume growth. Growth was broad based across Home and Personal Care (HPC) and Foods and in aggregate, ahead of reported market growth. HPC business grew 5.5%, with strong volume growth in Soaps, Laundry Powders and Personal Products. Amidst heightened competitive intensity in the Laundry category, proactive and decisive actions were implemented and these helped deliver double-digit volume growth in both Rin and Wheel powder. Portfolio rejuvenation in Personal Wash category has yielded positive results with robust volume growth in the premium and popular segment.

Personal Products grew 19%, delivering strong volume growth for the fourth successive quarter. All segments including Hair, Oral and Skin care registered robust volume growth. Leadership in Shampoo segment was further strengthened, driven by innovations behind Dove and Clinic Plus. In Oral, toothpaste growth was ahead of market, with both Pepsodent and Close-up growing double digit. In Skin care, sales growth was well ahead of market with continued focus on market development and expansion into new segments of the future. A significant entry into the male grooming segment was made through the launch of Vaseline Menz. The Facial cleansing portfolio was expanded, driven by multiple variants under Dove, Ponds, Pears and Lakme. Market share improved in the fast growing premium fairness and anti-ageing segment.

Foods business grew at 18% largely driven by volume. All segments in Foods viz Tea, Coffee, Processed Foods and Ice creams have grown in double digit. The Tea portfolio now straddles the consumer pyramid with the launch of nutritional tea - Brooke Bond Sehatmand in the mass segment. Knorr soupy noodles herald entry into the attractive noodles market, with a unique offering combining the taste of noodles with the health of soup. Kissan and Annapurna brands continued their strong growth. Ice-cream grew 22% led by strong innovations for the summer season. Swirl's parlours continue to offer a unique Ice Cream consumption experience with 100 parlours now in operation nationally.
Pure-it continued its strong growth momentum. Pure-it Compact was launched at an attractive price of Rs 1000. This innovation makes Pure-it accessible to a larger group of consumers without any compromise to the standard of water purity. OPM declined by 110 basis points to 13.6% due to rise in ASP cost by 260 basis points to 14% and purchased of goods by 180 basis points to 15% of adjusted net sales. New innovations, entry into new segments and competitive brand support led to A&P expenditure However, there was a fall in raw material/packaging cost by 50 basis points to 38%, staff cost by 50 basis points to 5% and other expenditure by 170 basis points to 15% of adjusted net sales. As a result, operating profit remained stagnant at Rs 595.48 crore. Other income increased by 40% to Rs 28.41 crore, which includes interest income, dividend income and net gain on sale of other non-trade investments. Depreciation saw a rise of 22% to Rs 50.29 crore. Profit before tax before exceptional item remained stagnant at Rs 573.46 crore.

There was an exceptional income of Rs 143.39 crore, which include profit on sale of properties Rs 5.47 crore, profit on sale of long term trade investments Rs 91.10 crore, reduction in provision for retirement benefits of Rs 53.36 crore arising out of change in actuarial assumptions (net of impact on account of increase in gratuity limits), restructuring costs of Rs 6.53 crore. As a result, the profit before tax after exceptional items has inclined by 54% to Rs 716.85 crore. Tax outgo has increased by 164% to Rs 187.76 crore. There was an extraordinary items of Rs 52.11 crore which is writeback of provision against advances to and diminution in the value of Investments in Bon Ltd. The net profit has increased by 47% to Rs 581.20 crore due EO incomes.

(ii) For FY10: The net sales for FY10 have increased by 6% to Rs 17725.33 crore including the other operating income of Rs 201.53 crore. Other operational income includes charge of Rs 56.33 crore on account of foreign exchange Mark to Market (MTM) valuation of open forward contracts & monetary items. Domestic Consumer business grew 8.6%. OPM has inclined by 29 basis points to 15.5% due fall in raw material/packaging cost by 220 basis points to 37%, purchase of goods by 40 basis points to 13%, staff cost by 30 basis points to 5% and other expenditure by 110 basis points to 16% of adjusted net sales. However, there was rise in advertising & promotion (A&P) cost by 350 basis points to 13% of adjusted net sales. As a result, operating profit has inclined by 8% to Rs 2749.97 crore. Other income
declined by 19% to Rs 148.11 crore. Interest cost has decreased by 68% to Rs 6.98 crore while depreciation inclined by 16% to Rs 184.03 crore. Profit before tax before exceptional items increased by 6% to Rs 2707.07 crore. Exceptional items income stood at Rs 55.45 crore. As a result, the profit after tax after exceptional item increased by 9% to Rs 2762.52 crore. Total tax paid has increased by 49% to Rs 616.37 crore. There was an EO income (net of taxes) of Rs 55.88 crore. The net profit inclined by 4% to Rs 2202.03 crore due to EO income.

(iii) Segmented result

• Soaps & detergents

The revenue has decreased by 2% to Rs 1978.48 crore for Q4 due to cut in prices on back of pricing competitive pressure. PBIT margins had declined by 380 basis points to 12.8%. As a result, PBIT had decreased by 24% to Rs 252.73 crore. The category contributed around 45% to the revenues while the contribution to PBIT stood at 42%. The revenues for FY10 grew by 1% to Rs 8265.64 crore. PBIT margins had declined by 99 basis points to 14.3%. As a result, PBIT had decreased by 5% to Rs 1185.27 crore. The category contributed around 49% to the revenues while the contribution to PBIT stood at 42%.

• Personal care

The revenues grew 19% to Rs 1255.21 crore for the Q4. PBIT margin have decreased by 90 basis points to 21.8%. Despite it, there was increase in PBIT by 14% to Rs 273.37 crore. The category contributed around 29% to the total revenues while the contribution to PBIT stood at 45%. The revenues grew 16% to Rs 5047.9 crore for FY10. PBIT margin have decreased by 140 basis points to 25.7%. Despite it, there was increase in PBIT by 10% to Rs 1296.52 crore. The category contributed around 26% to the revenues while the contribution to PBIT stood at 46%.

• Beverages

The sales grew by 15% during the quarter to Rs 570.16 crore. The segment contributed 13% to the total revenues. PBIT margin has inclined by 60 basis points to 13.8%. As a result, PBIT increased by 21% to Rs 78.96 crore. It contributes 13% to the total PBIT. The sales for FY10
grew by 15% to Rs 2142.43 crore. The segment contributed 11% to the total revenues. PBIT margin has inclined by 130 basis points to 14.9%. As a result, PBIT increased by 26% to Rs 319.75 crore. It contributes 11% to the total PBIT.

- **Processed foods**

  The sales have increased by 23% to Rs 197.57 crore for Q4. PBIT margin turn positive to 4% as a result, there was PBIT of Rs 7.9 crore. The sales grew by 11% to Rs 730.78 crore for the FY10. PBIT margin turn positive to 0.6% as a result, there was PBIT of Rs 4.44 crore.

- **Ice-creams**

  The sales grew by 22% to Rs 55.3 crore for the Q4. PBIT margin is remained negative, as a result there was loss before interest and tax of Rs 1.57 crore. The sales grew by 16% to Rs 231 crore for FY10. PBIT margin is declined by 10 basis points to 5.5%, despite it the PBIT has increased by 14% to Rs 12.69 crore.

- **Export revenue**

  Export revenues increased by 16% to Rs 255.51 crore for the Q4. Margin declined by 130 basis points to 5.2%. As a result, there was a decline in PBIT by 7% to Rs 13.34 crore. The category contributed around 6% to the revenues while the contribution to PBIT stood at 2%. The export revenues decreased by 15% to Rs 1005.25 crore for the FY10. Margin declined by 190 basis points to 5.8%. As a result, there was a decline in PBIT by 35% to Rs 58.58 crore. The category contributed around 7% to the revenues while the contribution to PBIT stood at 2%.

- **Valuation**

  The Board proposed a final dividend of Rs 3.50 per share for the financial year ending March 31, 2010. Together with interim dividend of Rs 3.00 per share the total dividend for the financial year ending March 31, 2010 amounts to Rs 6.50 per share. The scrip was trading at Rs 231.35 on 26th May 2010 on BSE. Promoters of the company hold 52.02% stake in the company.
### Table 4.4.2: Hindustan Unilever: Consolidated Results

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*Annualised on Diluted equity of Rs 221.19 crore, Face Value Rs 1 each

LP: Loss to Profit, PL: Profit to Loss

Variance exceeding 999 restricted to 999

Figures Rs in Crore

Source: Capitaline Corporate Database

### 4. Procter & Gamble

(a) History

William Procter, a candle maker, and James Gamble, a soap maker, formed the company known as Procter & Gamble in 1837. The two men, immigrants from England and Ireland
respectively, had settled earlier in Cincinnati and had married sisters. The two men decided to pool their resources to form their own company, formalizing the relationship on October 31, 1837. The company prospered during the nineteenth century. In 1859, sales reached one million dollars. By this point, approximately eighty employees worked for Procter & Gamble. During the Civil War, the company won contracts to supply the Union army with soap and candles. In addition to the increased profits experienced during the war, the military contracts introduced soldiers from all over the country to Procter & Gamble’s products. Once the war was over and the men returned home, they continued to purchase the company’s products.

In the 1880s, Procter & Gamble began to market a new product, an inexpensive, yet high quality, soap. The company called the soap "Ivory." In the decades that followed, Procter & Gamble continued to grow and evolve. The company became known for its progressive work environment in the late nineteenth century. William Cooper Procter, William Procter's grandson, established a profit-sharing program for the company’s workforce in 1887. He hoped that by giving the workers a stake in the company, they would be less inclined to go on strike.

Over time, the company began to focus most of its attention on soap, producing more than thirty different types by the 1890s. As electricity became more and more common, there was less need for the candles that Procter & Gamble had made since its inception. Ultimately, the company chose to stop manufacturing candles in 1920.

In the early twentieth century, Procter & Gamble continued to grow. The company began to build factories in other locations in the United States, because the demand for products had outgrown the capacity of the Cincinnati facilities. The company’s leaders began to diversify its products as well and, in 1911, began producing Crisco, a shortening made of vegetable oils rather than animal fats. In the early 1900s, Procter & Gamble also became known for its research laboratories, where scientists worked to create new products. Company leadership also pioneered in the area of market research, investigating consumer needs and product appeal. As radio became more popular in the 1920s and 1930s, the company sponsored a number of radio programs. As a result, these shows often became commonly known as "soap operas."
Throughout the twentieth century, Procter & Gamble continued to prosper. The company moved into other countries, both in terms of manufacturing and product sales, becoming an international corporation. In addition, numerous new products and brand names were introduced over time, and Procter & Gamble began branching out into new areas. The company introduced "Tide" laundry detergent in 1946 and "Prell" shampoo in 1950. In 1955, Procter & Gamble began selling the first toothpaste to contain fluoride, known as "Crest". Branching out once again in 1957, the company purchased Charmin Paper Mills and began manufacturing toilet paper and other paper products. Once again focusing on laundry, Procter & Gamble began making "Downy" fabric softener in 1960 and "Bounce" fabric softener sheets. One of the most revolutionary products to come out on the market was the company’s "Pampers", first test-marketed in 1961. Prior to this point, there were no disposable diapers. Babies always wore cloth diapers, which were leaky and labor intensive to wash. Pampers simplified the diapering process.

Over the second half of the twentieth century, Procter & Gamble acquired a number of other companies that diversified its product line and increased profits significantly. These acquisitions included Folgers Coffee, Norwich Eaton Pharmaceuticals, Richardson-Vicks, Noxell, Shultons Old Spice, and Max Factor among others. In 1996, Procter & Gamble made headlines when the Food and Drug Administration approved a new product developed by the company, Olestra. Olestra, also known by its brand name Olean, is a substitute for fat in cooking potato chips and other snacks. Procter & Gamble has expanded dramatically throughout its history, but its headquarters still remain in Cincinnati.

In 2000, Procter & Gamble Home Products introduced Tide Detergent Powder - the largest selling detergent in the world. In June, Procter & Gamble Home Products Limited launched Pantene Lively Clean its unique Pro-Vitamin formula cleans oil-build up, dirt and grime in just one wash, delivering lively, free-flowing and sparkling-clean hair. In August, Procter & Gamble Home Products Limited launched New Ariel Power Compact detergent with a new global technology that breathes new life into clothes, by removing dinginess from them and restoring the original colors of the fabric, by detecting and removing deposits which are left behind from successive washes. In November, Procter & Gamble Home Products Limited
presented India in the first International Hair Styling and Beauty Expert Contest- Hair Asia Pacific 2000 in collaboration with Sri Lankan Association of Hairdressers and Beautician.

In January 2001, Procter & Gamble Home Products Limited and Whirlpool India Ltd. launched a special 'Ariel - Whirlpool Superwash' offer, making washing machines more affordable to the people of Hyderabad. In June, Procter & Gamble in partnership with the Association of Beauty Therapy & Cosmetology (ABTC), India hosted the Pantene Artist 2001 a national stylist competition, which included categories such as Bridal Dressing, Hair Cutting and Body Painting. Present at the event was world-renowned hairdresser and stylist Jun L. Encarnecion, who demonstrated the hottest international haircuts and styles in vogue via an interesting hairshow. Mr. Encarnecion has trained students in leading hairdressing schools like Robert Fielding School of Hair Dressing (U.K), Pierre Alexander International Academy (U.K), Vidal Sassoon Academy, (U.S.A) among others and also enjoys the reputation of being the official hairdresser for the 1993 Miss Universe pageant.

In July 2001, Procter & Gamble Home Products Limited launched New Ariel Total Compact with Magicare a New System of Washing that completely removes stains without scrubbing, significantly reducing time spent on washing clothes. In April 2002, Procter & Gamble Home Products Limited announced the launch of a special Ariel Bar Refund Offer along with its new Advanced Ariel Compact. Under the Ariel Bar Refund Offer, consumers could exchange their detergent bar on purchase of Advanced Ariel Compacts 1kg and 500gms packs, and avail of a Rs.15 and Rs.7 discount respectively on MRP.

Additionally, Procter & Gamble Home Products announced the Beat The Summer Dandruff offer on which 200ml Head & Shoulders bottle was available for Rs.99/- only, thus giving a benefit of a Rs.23/- discount to consumers. In August, Pantene unveiled the launch of the Shine Morning to Night campaign that helps consumers get long lasting hair shine with regular use of Pantene. The Shine Morning to Night campaign had two exciting components to it The MTV Shine Your Soul contest where one could win diamonds worth Rs.12.5 lacs and the launch of the Pantene Shine Booths across the country to help achieve the shine that lasts from morning to night.
In 2003, Procter & Gamble Home Products Limited launched Head & Shoulders Naturally Clean, a new variant in its Head & Shoulders range of Shampoos especially for Tamil Nadu, Kerala, Andhra Pradesh, Karnataka and West Bengal. Its Smart ZPT combined with Natural Citrus (lemon) extracts removes 100% dandruff and rinses oil and stickiness from the scalp, giving light, loose, free flowing hair. In 2003, Procter & Gamble Home Products Limited reduced the prices of Pantene and Head & Shoulders 7.5ml sachets from Rs. 4/- to Rs. 3/-, with no change in its superior product-quality or packaging, improving affordability to a large number of Indian consumers. In June, Procter & Gamble Home Products Limited launched Pampers - world’s number one selling diaper brand with sales of US$ 6 billion annually. Pampers provides superior dryness for uninterrupted overnight sleep, with just one pampers diaper. In India, Pampers Fresh & Dry is available in a variety of three sizes – 4s, 10s and 25s.

In January 2004, Procter & Gamble Home Products Limited announced the launch of Rejoice – Asia’s No. 1 shampoo, in India. Rejoice’s patented Micro-Silicone conditioning technology gives twice as smooth, and easy to comb hair versus ordinary shampoos, at affordable prices in 100 ml bottles and 7.5 ml sachets. In March, Procter & Gamble Home Products Limited reduced the prices of Ariel and Tide bags (large packs) by 20-50%, while maintaining the superior quality. The superior quality one kg pack of Tide now cleans a family’s one month laundry in just Rs.23/-, while a one kg pack of Ariel cleans a family’s one month laundry in just Rs.50/-. In August 2004, Procter & Gamble Home Products Limited signed Preity Zinta – Bollywood's #1 Actress, as Brand Ambassador for its Head & Shoulders anti-dandruff shampoo that gives 100% dandruff-free soft beautiful hair. In October 2004, Procter & Gamble Home Products Limited launched New Pantene Amino Pro-V Complex shampoos, which makes hair ten times stronger.

At present P and G is having a very wide network and having many subsidiaries across the world. It is one of the leaders in the world markets. In Indian markets also it is maintain very good position with HUL and other giants. The company is very progressive and future of it seems to be bright.
(b) Procter & Gamble - Products

Procter & Gamble (P&G) is America’s biggest maker of household products, with at least 250 brands in six main categories: laundry and cleaning (detergents), paper goods (toilet paper), beauty care (cosmetics, shampoos), food and beverages (coffee, snacks), feminine care (sanitary towels) and health care (toothpaste, medicine). P&G’s famous brands include Ariel, Pantene, Head & Shoulders, Fabreze, Sunny Delight, and Oil of Olaz. About half of P&G's sales come from its top ten brands. P&G also makes pet food and PUR water filters and produces the soap operas Guiding Light and As the World Turns. Finally, P&G produces chemicals. Today, P&G markets its products to more than five billion consumers in 130 countries. P&G is one of the world’s biggest advertisers. Advertising Age estimate a 1999 media spend of $4.7bn, of which around $3bn was outside the US, making it the world's #2 advertiser. Fortune 500 lists America’s Top Performing Companies. P&G ranks #39 on the list, before its main competitor Johnson & Johnson (#57) and Kimberly-Clark (#142). P&G also outperforms Unilever and Nestle, the company’s main competitors overseas.

Its portfolio includes healthcare brand, Vicks and feminine hygiene brand, Whisper. Under healthcare business, the company’s revenue is driven by products such as Vicks Vaporub, Vicks Cough Drops, Vicks Action-500, Vicks Formula 44 and Vicks Inhaler.

(i) All brands

- **Beauty & Grooming** - Anna Sui, Aussie, Braun, Camay, Christina Aguilera Perfumes, Clairol Professional, Cover Girl, DDF, Dolce & Gabbana, Dunhill Fragrances, Escada Fragrances, Fekkai, Fusion, Ghost, Gillette, Gucci Fragrances, HUGO BOSS Fragrances, Head & Shoulders, Herbal Essences, Ivory, Lacoste Fragrances, MACH3, Naomi Campbell, Natural Instincts, Nice 'n Easy, Nioxin, Ola, Old Spice, Pantene, Pert, Prestobarba/Blue, Puma, Rejoice, SK-II, Safeguard, Sebastian Professional, Secret, Venus, Vidal Sassoon, Wella, Zest
• **Health and Well-Being** – Align, Always, Crest, Discreet, Eukanuba, Fixodent, Iams, Kukident, Lines, Metamucil, Oral-B, PUR, Pepto Bismol, Prilosec OTC, Pringles, Scope, Tampax, Vicks

• **Household Care** – Ace, Ariel, Bold, Bounce, Bounty, Cascade, Charmin, Cheer, Comet, Dash, Dawn, Downy, Dreft Laundry, Duracell, Era, Febreze, Gain, Joy, Luvs, Mr. Clean, Pampers, Puffs, Swiffer, Tide

(c) **Procter & Gamble SWOT Analysis**
Procter & Gamble Hygiene & Health Care Limited (PGHHCL) is a public company that is engaged in providing consumer goods (FMCG) in India. PGHHCL is principally involved in manufacturing, marketing and distributing healthcare and feminine hygiene products. This comprehensive SWOT profile of the company provides you an in-depth strategic analysis of the company’s businesses and operations. The profile has been compiled to bring to a clear and an unbiased view of the company’s key strengths and weaknesses and the potential opportunities and threats. The profile helps to formulate strategies that augment business by enabling to understand partners, customers and competitors better. SWOT analysis is as follows:

(i) **Strengths:**
- In India the distribution network has been well established with the local dealers.
- Brands of the company are very popular among customers.
- Low cost operations due to better technology and well managed workforce.
- Competent employees along with updated technology.

(ii) **Weaknesses:**
- Export of the company is limited due to high consumption in local markets.
- Knowledge of local customers and territory sometimes not available
(iii) Opportunities:
- Indian Territory is still untapped and it is with huge potential for growth.
- Export potential can be utilized by the company.
- Cost competitive advantage to the company due to favourable Indian market position.
- Opportunity for expansion in all relevant aspects of FMCG sector exists.

(iv) Threats:
- Threats from low cost production imports.
- Necessary implementation of policies and taxation rules in India.
- Sometime the local market conditions affect the demands and sales.
- Connectivity in rural areas is not good for better coverage.

(d) Recent Performance
Procter & Gamble (P&G) is an American giant a manufacturer of variety of products with more than 250 brands accepted in the markets worldwide. The main categories of products are: laundry and cleaning (detergents), paper goods (toilet paper), beauty care (cosmetics, shampoos), food and beverages (coffee, snacks), feminine care (sanitary towels) and health care (toothpaste, medicine). It is the leader in most of the product categories and in some of the as the challenger. In last five years it has outperformed the leader like HUL also and it is earning high profit on year basis. The efforts of the company are remarkable and dedicated. It is promoting its products and spending a huge amount on advertising and other promotional methods. The main competitors are HUL, Nestle, Johnson and Johnson etc. in India and abroad. It is expected that it would give very attractive performance in near future due to more preferred brands by the customers.
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<thead>
<tr>
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<tr>
<td><strong>Assets</strong></td>
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<tr>
<td><strong>Current Assets</strong></td>
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<td>Cash And Cash Equivalents</td>
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<td>Short Term Investments</td>
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<td>Net Receivables</td>
<td>6,325,000</td>
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<td>Inventory</td>
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<td>3,199,000</td>
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<tr>
<td><strong>Long Term Investments</strong></td>
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<td>-</td>
<td>-</td>
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<tr>
<td><strong>Property Plant and Equipment</strong></td>
<td>19,244,000</td>
<td>19,462,000</td>
<td>20,640,000</td>
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<tr>
<td><strong>Goodwill</strong></td>
<td>54,012,000</td>
<td>56,512,000</td>
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<td><strong>Intangible Assets</strong></td>
<td>31,636,000</td>
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<td><strong>Accumulated Amortization</strong></td>
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<td>-</td>
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<td><strong>Other Assets</strong></td>
<td>4,498,000</td>
<td>4,348,000</td>
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<tr>
<td><strong>Deferred Long Term Asset Charges</strong></td>
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<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>128,172,000</td>
<td>134,833,000</td>
<td>143,992,000</td>
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## Liabilities

### Current Liabilities

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<th>Amount 1</th>
<th>Amount 2</th>
<th>Amount 3</th>
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<tbody>
<tr>
<td>Accounts Payable</td>
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<td>14,581,000</td>
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<tr>
<td>Short/Current Long Term Debt</td>
<td>8,472,000</td>
<td>16,320,000</td>
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<tr>
<td>Other Current Liabilities</td>
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<td>7,768,000</td>
<td>9,897,000</td>
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<tr>
<td><strong>Total Current Liabilities</strong></td>
<td><strong>24,282,000</strong></td>
<td><strong>30,901,000</strong></td>
<td><strong>30,958,000</strong></td>
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<th></th>
<th>Amount 1</th>
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<tr>
<td>Long Term Debt</td>
<td>21,360,000</td>
<td>20,652,000</td>
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<td>Other Liabilities</td>
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<td>8,154,000</td>
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<td>Deferred Long Term Liability Charges</td>
<td>10,902,000</td>
<td>10,752,000</td>
<td>11,805,000</td>
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<tr>
<td>Minority Interest</td>
<td>324,000</td>
<td>283,000</td>
<td>-</td>
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<tr>
<td>Negative Goodwill</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>67,057,000</strong></td>
<td><strong>71,734,000</strong></td>
<td><strong>74,498,000</strong></td>
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### Stockholders' Equity

<table>
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<tr>
<th></th>
<th>Amount 1</th>
<th>Amount 2</th>
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<tbody>
<tr>
<td>Misc Stocks Options Warrants</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Redeemable Preferred Stock</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Preferred Stock</td>
<td>1,277,000</td>
<td>1,324,000</td>
<td>1,366,000</td>
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<tr>
<td>Common Stock</td>
<td>4,008,000</td>
<td>4,007,000</td>
<td>4,002,000</td>
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<tr>
<td>Retained Earnings</td>
<td>64,614,000</td>
<td>57,309,000</td>
<td>48,986,000</td>
</tr>
<tr>
<td></td>
<td>2002</td>
<td>2001</td>
<td>2000</td>
</tr>
<tr>
<td>----------------------</td>
<td>------------</td>
<td>------------</td>
<td>------------</td>
</tr>
<tr>
<td>Treasury Stock</td>
<td>(61,309,000)</td>
<td>(55,961,000)</td>
<td>(47,588,000)</td>
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<tr>
<td>Capital Surplus</td>
<td>61,697,000</td>
<td>61,118,000</td>
<td>60,307,000</td>
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<tr>
<td>Other Stockholder Equity</td>
<td>(9,172,000)</td>
<td>(4,698,000)</td>
<td>2,421,000</td>
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<tr>
<td><strong>Total Stockholder Equity</strong></td>
<td><strong>61,439,000</strong></td>
<td><strong>63,382,000</strong></td>
<td><strong>69,494,000</strong></td>
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<tr>
<td><strong>Net Tangible Assets</strong></td>
<td><strong>(24,209,000)</strong></td>
<td><strong>(25,736,000)</strong></td>
<td><strong>(24,506,000)</strong></td>
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Currency in USD.

5. Colgate-Palmolive

(a) History

Colgate-Palmolive Company is a leading multinational corporation operating in Indian market mainly in oral care products. It is leader in toothpaste and toothbrush products. The products and reputation of the company in Indian markets is very high. is an American diversified multinational corporation focused on the production, distribution and provision of household, health care and personal products, such as soaps, detergents, and oral hygiene products (including toothpaste and toothbrushes). Under its "Hill's" brand, it is also a manufacturer of veterinary products. The company's corporate offices are on Park Avenue in Midtown Manhattan, New York City.

In 1890, Madison University in New York State was re-named Colgate University in honor of the Colgate family following decades of financial support and involvement. The Colgate-Palmolive Company has sponsored a non-profit track meet close to women of all ages. This event is called the Colgate Women's Games. The Colgate Women's Games is the nation's smallest amateur track series open to all girls from elementary school through college. Held at Brooklyn's Pratt Institute, competitors participate in preliminary meets and semi-finals over five weekends throughout January. Finalists compete for trophies and educational grants-in-aid from Colgate-Palmolive Company at New York City's Madison Square Garden in
February. The Ethical Consumer Research Association once recommended that its readers do not buy Colgate because of its use of animal testing, though this is no longer the case. The Ethical Consumer Association has also urged a boycott on many other products, including all products from the country of Canada. Ethiscore.org has rated Colgate a 5.5 out of a possible 20. However, the company has made important steps and according to PETA "in March 1999, Colgate-Palmolive established a moratorium on animal testing for adult personal care products (this includes deodorants, shampoos, fragrances, and shaving creams)."

Colgate now markets a broadly diversified mix of products in the United States and other countries. Major product areas include household and personal care products, food products, health care and industrial supplies, and sports and leisure time equipment. In the U.S., the company operates approximately 60 properties of which 15 are owned. Major U.S. manufacturing and warehousing facilities used by the oral, personal and home care segment of Colgate-Palmolive are located in Morristown, New Jersey; Morristown, Tennessee; and Cambridge, Ohio. The pet nutrition segment has major facilities in Bowling Green, Kentucky; Topeka, Kansas; Commerce, California; and Richmond, Indiana. The primary research center for oral, personal and home care products is located in Piscataway, New Jersey and the primary research center for pet nutrition products is located in Topeka, Kansas. Overseas, the company operates approximately 280 properties of which 76 are owned in over 70 countries. Major overseas facilities used by the Oral, Personal and Home Care segment are located in Australia, Brazil, China, Colombia, France, Guatemala, Italy, Mexico, Poland, South Africa, Thailand, Venezuela and elsewhere throughout the world. Colgate-Palmolive has closed or is in the process of phasing out production at certain facilities under a restructuring program initiated in 2004 and has built new state-of-the-art plants to produce toothpaste in the U.S. and Poland.

In 1902, Stylish Palmolive advertising begins, emphasizing ingredient purity and product benefits. 1906 -Colgate & Company celebrates its 100th anniversary. Product line includes over 800 different products. 1908 -Colgate is incorporated by the five sons of Samuel Colgate. -Ribbon opening added to Colgate tube: "We couldn't improve the product so we improved the tube." 1911 -Colgate distributes two million tubes of toothpaste and toothbrushes to schools, and provides hygienists to demonstrate tooth brushing. 1912 -
William Mennen introduces the first American shaving cream tube. 1914 - Colgate establishes its first international subsidiary in Canada. 1920s - Colgate begins establishing operations in Europe, Asia, Latin America and Africa. 1926 - Soap manufacturers Palmolive and Peet merge to become Palmolive-Peet Company. 1928 - Colgate merges with Palmolive-Peet to become Colgate-Palmolive-Peet Company. 1930 - On March 13, Colgate is first listed on the New York Stock Exchange.

In 1937, The Company was incorporated on 23rd September, as a private limited company. The Company manufacture and market dental care products (dental cream and tooth powder), hair care products (hair oils, shampoos, brilliantine) and other personal care products such as shaving creams, and lotions, face creams, baby powder, talcum powder, etc. The products are marketed under the trademarks "Colgate", "Palmolive", "Halo" and "Charmis". A distribution set up was also developed on an all-India basis with warehouse facilities in Mumbai, Chennai and Calcutta. Colgate-Palmolive Company, U.S.A. supplemented this reinvestment by providing, technical assistance, new product information and its worldwide developments in quality dental care and other personal care products. The Company has its own research and development facilities. 1939 - Dr. Mark L. Morris develops a pet food to help save a guide dog named Buddy from kidney disease. This breakthrough leads to the first Hill's Prescription Diet product. 1947 - Ajax cleanser is launched, establishing a powerful now-global brand equity for cleaning products. 1953 - Colgate-Palmolive Company becomes company's official name. 1956 - Colgate opens corporate headquarters at 300 Park Avenue in New York City.

1962, Colgate opens research center in Piscataway, NJ. Fabric conditioner is launched in France as Soupline. Today, fabric conditioners are sold in over 54 countries around the world. 1966 - Palmolive dishwashing liquid is introduced and today it is sold in over 35 countries. 1968 - Colgate toothpaste adds MFP Fluoride, clinically proven to reduce cavities. 1970 - Irish Spring launches in Germany in Europe as Nordic Spring. In 1972, Irish Spring is introduced in North America. 1972 - Colgate acquires Hoyt Laboratories, which later becomes Colgate Oral Pharmaceuticals. 1975 - Caprice hair care launches in Mexico. Today, hair care products are sold in over 70 countries, with variants to suit every type of hair need. 1976 - Colgate-Palmolive acquires Hill's Pet Nutrition. Today Hill's is the global leader in pet nutrition and
veterinary recommendations. 1986 -The Chairman's You Can Make A Difference Program is launched, recognizing innovation and exceptional excellence by Colgate people. 1987 - Colgate acquires Soft soap liquid soap business from the Minnetonka Corporation. Today, Colgate is the global leader in liquid hand soap.

1988, The Company received a licence for producing 24,000 tonnes per annum of fatty acids. It also registered with DGTD for production of 30,000 tonnes of toilet soap per annum. Shares were subdivided on 29.9.1978. 19,50,000 bonus shares were then issued in prop. 130:1. Orders were placed for setting up a fatty acid plant with an annual capacity of 20,000 tonnes and a toilet soap plant with an annual finishing capacity of 15,000 tonnes. 1993. The Company participated in the global launch of Colgate Total Toothpaste and Asia/Pacific regional launch of Protex Soap. The Company proposed to negotiate with appropriate global partners for the necessary technology needed to implement vertically integrated projects and diversification into high technology areas to effect import substitutions for a range of materials. During September, 112,92,735 No. of equity shares of Rs 10 each were allotted at a premium of Rs 50 per share to Colgate Palmolive Company, U.S.A. with a view to raise its shareholding to 51% of the subscribed capital. 615,96,735 bonus shares issued in prop. 1:1.

1994, The Company acquired the oral hygiene business of Hindustan Ciba-Geigy Ltd. - The Company offered 123,19,347 No. of equity shares of Rs 10 each at a premium of Rs 10 per share on Rights basis in the proportion 1:10 (all were taken up). 2,40,000 shares of Rs 10 each were issued to the employees at a premium of Rs 10 per share on an equitable basis (Details of allotment non-known). 1996, The Company launched colgate fresh stripe tooth paste and palmolive naturals soap in personal care products segments, Keratin Treatment Shampoo and Palmolive optima in Hair care segment during the year. Axion dishwashing paste was test launched in Maharashtra. 1998, The Company received a licence for producing 24,000 tonnes per annum of fatty acids. The company paid a dividend of Rs.4.50 per share in 3 instalments first interim Rs.1.60 second interim Rs.1.60 and final of Rs.1.30 per share.

Colgate is the market leader in oral care with its toothpaste commanding a market share of over 60 per cent, followed by Hindustan Lever with around 35 per cent. 2000, The Company has introduced two new variants to its Palmolive Naturals soap range and has revitalised its
sandalwood soap. - The Company has launch of two new variants in its Palmolive Naturals range of beauty soap lime and milk cream. - The Company has re-launched Colgate Gel as 'Colgate Fresh Energy Gel.' The Company has entered into a strategic tie-up with Calcutta-based First-net Solutions Ltd, under which both partners will go for joint sales promotion of Colgate Fresh Energy Gel toothpaste on the Web portal, Yantram.com. 2001, Colgate-Palmolive (India) Ltd. has launched its biggest national-level consumer promotion involving its toothpaste, toothbrush and soaps. Colgate-Palmolive (India) Ltd. has launched international cleaning product -- Ajax in the Indian household products category for summer.

2003 -Colgate-Palmolive has divested its stake in its subsidiary Camelot Investment Company. -Colgate has decided to concentrate on its non-oral care division, by launching an international range of Palmolive Aromatherapy personal care products. -“Navigator Plus” was launched with its unique characteristics as a premium toothbrush. 2004, Vikram Kaushik resigns from the Board of Colgate Palmolive India. Colgate-Palmolive launches shower gel variant. Unveils Palmolive Aroma Sensual Shower Gel, enriched with a blend of Orchid extract and pure essential oils of jasmine and rose, the gel is priced at Rs 90 for a 250 ml pack. 2005, Colgate-Palmolive unveils Colgate Active Salt toothpaste. Colgate emerges top brand. 2006, Colgate enters the fast-growing Naturals segment by purchasing Tom's of Maine, a leader in that market in the United States. -Colgate-Palmolive conducts free dental check-ups -Colgate Palmolive rolls out Colgate Max Fresh Gel -Colgate to acquire 84 pc shares of Tom's of Maine 2007, Colgate-Palmolive India, the market leader in toothpaste in India, declared the acquisition of three domestic companies in south India recently. 2009, Colgate Palmolive India Ltd has appointed Mr. Mukul Deoras as Managing Director of the Company.

(b) Colgate - Palmolive Limited - Products

The company is a multinational corporation and it started its operation in America and reached to different countries in various continents. It is having in most of the major countries its presence in production, marketing, logistics and research activities. The requirements of the customers are considered to a good extent and the products have been designed. Time to time the emerging preference of the customers has been considered and products have been designed through research and development facilities. It is having long history in India also. It
is manufacturing mainly products taking care of various aspects of individual of day to day use. Colgate-Palmolive Company is one of the leading consumer products company in the world. It offers products in various categories including oral care, personal care, household surface, fabric care and pet nutrition. The list of the products of the company is very big. The following list includes the products of the company:

(i) Oral Care

- Toothpastes - Colgate Dental Cream, Colgate Max Fresh, Colgate Active Salt, Colgate Total 12, Colgate Sensitive, Colgate Kids, Colgate Advanced Whitening, Colgate Herbal, Colgate Cibaca, Colgate Fresh Energy Gel, Colgate Maxwhite
- Toothbrushes - Colgate Massager, Colgate Navigator Plus, Colgate Extra Clean Gum Care, Colgate Sensitive Toothbrush, Colgate 360 Toothbrush, Colgate Zig Zag
- Toothpowder - Colgate Super Rakshak
- Whitening Products - Colgate Advanced Whitening
- KidsProduct - Colgate Kids ToothPaste, Colgate Kids 2+
- Mouthwash - Colgate Pl

(ii) Personal Care

- Bodywash - Palmolive Aroma Bodywash Relaxing, Palmolive Thermal Spa Bodywash Firming, Palmolive Aroma Bodywash Vitality, Palmolive Thermal Spa Bodywash Massage, Palmolive , aturals Moisturising Bodywash Milk & Almond, Palmolive Naturals Moisturising Bodywash , Milk & Honey
- Liquid Handwash - Palmolive Naturals Milk and Honey Hand Wash, Palmolive Aroma Liquid , Hand Wash Relaxing, Palmolive Naturals Liquid Hand Wash Family Health
- Hair Care - Palmolive Halo Shampoo,
- Skin Care - Palmolive Charmis Cream
- Shave Preps - Shave Cream
- Home Care - Axion - Dish Washing , Paste
(iii) Professional Oral Care

- Gingivitis Treatment - Colgate PerioGard
- Sensitivity Treatment - Colgate Sensitive, Colgate Gel Kam
- Tooth Whitening - Colgate Visible White
- Fluoride Therapy - Phos Flur
- Mouth Ulcer Treatment - Oragard-B
- Specialty Cleaning - Specialty Cleaning

(c) Colgate-Palmolive Company - SWOT Analysis - new company profile published

SWOT Analysis company profile is the essential source for top-level company data and information. Colgate-Palmolive Company SWOT Analysis examines the company’s key business structure and operations, history and products, and provides summary analysis of its key revenue lines and strategy. Colgate-Palmolive Company (Colgate-Palmolive or 'the company') is one of the leading consumer products company in the world. It offers products in various categories including oral care, personal care, household surface, fabric care and pet nutrition. Colgate-Palmolive primarily operates in North America, Latin America, Europe/South Pacific and Greater Asia/Africa. The company undisputed market leader in toothpastes with over 45% share in the Rs 21 bn (90,000 TPA) oral care segment. The company's parent has a presence in over 200 countries worldwide: The SWOT analysis of the company in India market is as follows;

(i) Strengths:
- Due to long experience in Indian market it has a well-established distribution network.
- Brands of the company are very popular and customers are not ready to change over to products of competitors’.
- Better production technology, skilled and motivated manpower and with sound financial position the company is doing its business in India.

(ii) Weaknesses:
- Export earning is less due to internationally tough competition faced.
• In some of the cases the knowledge of Indian customers is low to understand their requirements.
• Due to tough competition the operating costs are going up.
• Small scale operation permission from governments.

(iii) Opportunities:
• Indian market with huge potential for future.
• Export potential with special planning can be increased.
• Business expansion possibility is there in Indian markets.
• Availability of raw materials and cheaper labour costs in operation.
• Low cost operations due to availability of raw materials and workers for their factories

(iv) Threats:
• Tough competition from foreign and local players.
• Inflation creates problems because it adds to the costs.
• Government policies and taxation law are to be implemented.

(d) Colgate Palmolive Limited - Recent Performance
Colgate-Palmolive Company reported record net income and diluted earnings per share in fourth quarter 2009 of $631 million and $1.21, respectively. Fourth quarter 2008 reported net income and diluted earnings per share was $497 million and $.94, respectively, which included $31 million of after-tax charges ($.06 per diluted share) related to the 2004 Restructuring Program. Excluding restructuring charges (which pertain only to 2008), net income and diluted earnings per share increased 20% and 21%, respectively. Worldwide sales were $4,081 million, up 11.5% versus the year ago quarter and unit volume increased 3.0%. Global pricing increased 3.5% while foreign exchange added 5.0%. Organic sales (excluding foreign exchange, acquisitions and divestments) grew 6.5%. Gross profit margin increased to 59.5% in fourth quarter 2009 from 56.0% in the year ago period. Excluding restructuring charges in 2008, gross profit margin increased 320 basis points to 59.5% in fourth quarter 2009 from 56.3% in fourth quarter 2008, primarily reflecting the benefits of increased pricing and cost-savings programs.
Selling, general and administrative expenses were 34.2% and 33.7% of net sales in fourth quarter 2009 and 2008, respectively. Excluding restructuring charges in 2008, selling, general and administrative expenses increased to 34.2% of net sales in fourth quarter 2009 from 33.0% of net sales in fourth quarter 2008. Worldwide advertising costs increased 50 basis points as a percentage to sales versus the year ago period to 9.7% from 9.2%. Operating profit was $991 million in fourth quarter 2009 compared to $777 million as reported in fourth quarter 2008. Excluding restructuring charges in 2008, operating profit rose 21% to $991 million in fourth quarter 2009 from $816 million in fourth quarter 2008, increasing to 24.3% from 22.3% as a percent to sales.

Net cash provided by operations year to date increased by 42% to $3,277 million. Working capital improved by 290 basis points from 2.5% to sales in 2008 to -0.4% to sales in 2009. These results reflect the strength of the Company's overall balance sheet and key ratios as well as its tight focus on working capital. Ian Cook, Chairman, President and Chief Executive Officer, commented on the results excluding restructuring charges, "We are delighted to have finished the year so strongly with fourth quarter operating profit, net income and earnings per share all increasing double-digit and organic sales growing a healthy 6.5%, driven by positive volume and higher pricing. "We are particularly pleased that our renewed focus on unit volume growth is indeed working with global unit volume increasing sequentially in each of the last two quarters. "The excellent 320 basis point improvement in gross profit margin allowed for higher advertising spending behind Colgate's brands both in absolute dollars and as a percent to sales, which helped to drive global market share gains."We are delighted that Colgate's global market shares in toothpaste and manual toothbrushes both finished the year at record highs. Colgate's share of the global toothpaste market strengthened to 45.1% for the year, led by share gains in Mexico, Brazil, China, Hong Kong, India, Russia and Venezuela. Colgate also strengthened its global leadership in manual toothbrushes, with its global market share in that category reaching 31.0% year to date, up 0.6 share points versus year ago."

"Overall, despite difficult economic conditions around the world and the currency devaluation in Venezuela, our strong top and bottom line momentum should continue which bodes well for another year of double-digit earnings per share growth in 2010." For the full year 2009, worldwide sales as reported were $15,327 million, even with the year ago period, reflecting
0.5% unit volume growth, 6.0% higher pricing and 6.5% negative foreign exchange. Organic sales grew 6.5%. Net income and diluted earnings per share for the full year 2009 were $2,291 million and $4.37, respectively. Full year 2008 reported net income and diluted earnings per share were $1,957 million and $3.66, respectively, which included $113 million of aftertax charges ($0.21 per diluted share) related to the 2004 Restructuring Program. Excluding restructuring charges (which pertain only to 2008), net income and diluted earnings per share increased 11% and 13%, respectively.

Colgate's major advantages are the strength of its brand and its strong, global presence: over 82% of the company's 2009 revenues came from outside the United States. 45% of sales came from rapidly growing emerging markets, with Latin America representing Colgate's single largest source of revenue in 2009. Colgate's brand strength in foreign markets allows the company to command impressive market share and high profit margins. For example, Colgate leads mouthwash sales in Brazil with a market share of 40%. Colgate has been steadily expanding its operations throughout Latin America, Africa, and Asia, maintaining consistent positive sales growth in these regions. For example, in 2009 Colgate increased operating profit from Latin America and Asia/Africa by 15% and 20%, respectively.

In the quarter ending March 2010, Colgate reported earnings of $357 million, or $0.69 a share, down 30% from $508 million in the year-ago period, continuing to be hurt by hyperinflation in Venezuela even as worldwide sales climbed 9.3% to $3.83 billion. Excluding the Venezuela charge, earnings were $1.21 per share compared to analyst expectations of $1.19 per share on revenue of $3.89 billion Global volume grew 6% while pricing held steady, with all divisions reporting sales volume increases except Hill's pet food division. The company's posted a 10.5% sales increase on a volume increase of 8% in South America, its biggest region.

6. ITC Limited

(a) History
ITC was established by an Indian entrepreneur in mid of 1910 under the name of Imperial Tobacco Company of India Limited and later on in 1970 the name was changes to India
Tobacco Company Limited. At present it is in the business of Foods, Lifestyle Retailing, Education & Stationery and Personal, Packaging, Paperboards & Specialty Papers, Agri-business, Cigarettes & Tobacco, Hotels, Information Technology the full stops in the Company's name were removed effective September 18, 2001. The Company now stands rechristened 'ITC Limited'. ITC Limited a public conglomerate company which headquartered in Kolkata, India. Its turnover is $6 billion and a market capitalization of over $30 Billion. The company has its registered office in Kolkata. It started off as the Imperial Tobacco Company, and shares ancestry with Imperial Tobacco of the United Kingdom, but it is now fully independent, and was rechristened to Indian Tobacco Company in 1970 and then to I.T.C. Limited in 1974.

The company is currently headed by Yogesh Chander Deveshwar. It employs over 26,000 people at more than 60 locations across India and is listed on Forbes 2000. ITC Limited completed 100 years on 24 August 2010. ITC has a diversified presence in Cigarettes, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, Packaged Foods & Confectionery, Information Technology, Branded Apparel, Personal Care, Stationery, Safety Matches and other FMCG products. While ITC is an outstanding market leader in its traditional businesses of Cigarettes, Hotels, Paperboards, Packaging and Agri-Exports, it is rapidly gaining market share even in its nascent businesses of Packaged Foods & Confectionery, Branded Apparel, Personal Care and Stationery. ITC's aspiration to be an exemplar in sustainability practices is manifest in its status as the only company in the world of its size and diversity to be 'carbon positive', 'water positive' and 'solid waste recycling positive.' In addition, ITC's businesses have created sustainable livelihoods for more than 5 million people, a majority of whom represent the poorest in rural India.

ITC's Agri-Business is India's second largest exporter of agricultural products. ITC is one of the India's biggest foreign exchange earners (US $ 2 billion in the last decade). The Company's 'e-Choupal' initiative is enabling Indian agriculture significantly enhance its competitiveness by empowering Indian farmers through the power of the Internet. This transformational strategy, which has already become the subject matter of a case study at Harvard Business School, is expected to progressively create for ITC a huge rural distribution infrastructure, significantly enhancing the Company's marketing reach.
The company places computers with Internet access in rural farming villages; the e-Choupals serve as both a social gathering place for exchange of information (choupal means gathering place in Hindi) and an e-commerce hub. What began as an effort to re-engineer the procurement process for soy, tobacco, wheat, shrimp, and other cropping systems in rural India has also created a highly profitable distribution and product design channel for the company—an e-commerce platform that is also a low-cost fulfillment system focused on the needs of rural India. The e-Choupal system has also catalyzed rural transformation that is helping to alleviate rural isolation, create more transparency for farmers, and improve their productivity and incomes.

(b) **Products of ITC**

In FMCG, ITC has a strong presence in Indian markets and the main product categories are cigarettes, foods, apparel, personal care, stationery, safety matches and agarbattis, hotel services and IT services. The list of the products is as follows;

(i) **Cigarettes:** W. D. & H. O. Wills, Gold Flake, Navy Cut, Insignia, India Kings, Classic (Verve, Rush, Regular, Mild & Ultra Mild), Silk Cut, Scissors, Capstan, Berkeley, Bristol, Lucky Strike and Flake.

(ii) **Foods:** (Kitchens of India; Ashirvaad; Minto; Sunfeast; Candyman; Bingo; Yippee brands in Ready to Eat, Staples, Biscuits, Confectionery, Noodles and Snack Foods);

(iii) **Apparel:** (Wills Lifestyle and John Players brands);

(iv) **Personal care:** (Fiama di Wills; Vivel; Essenza di Wills; Superia; Vivel brands of products in perfumes, haircare and skincare)

(v) **Stationery:** (Classmate and Paperkraft brands)

(vi) **Safety Matches and Agarbattis:** [Ship (through ownership of WIMCO); iKno; Mangaldeep; Aim brands]

(vi) **Other businesses include:**

- Hotels: ITC's hotels (under brands including ITC Hotel /Welcom hotel) have evolved into being India's second largest hotel chain with over 80 hotels throughout the country. ITC is also the exclusive franchise in India of two brands owned by Sheraton International Inc.-
The Luxury Collection and Sheraton which ITC uses in association with its own brands in the luxury 5 star segment. Brands in the hospitality sector owned and operated by its subsidiaries include Fortune and Welcom heritage brands.

- Paperboard, Specialty Paper, Graphic and other Paper;
- Packaging and Printing for diverse international and Indian clientele.
- Infotech (through its near-wholly owned subsidiary ITC Infotech India Limited which is a SEI CMM Level 5 company)

(c) SWOT Analysis of ITC
ITC is one of India's biggest and best-known private sector companies. In fact it is one of the World's most high profile consumer operations. Its businesses and brands are focused almost entirely on the Indian markets, and despite being most well-known for its tobacco brands such as Gold Flake, the business is now diversifying into new FMCG (Fast Moving Consumer Goods) brands in a number of market sectors - including cigarettes, hotels, paper, agriculture, packaged foods and confectionary, branded apparel, personal care, greetings cards, Information Technology, safety matches, incense sticks and stationery.

(i) **Strengths:** ITC leveraged its traditional businesses to develop new brands for new segments. For example, ITC used its experience of transporting and distributing tobacco products to remote and distant parts of India to the advantage of its FMCG products. ITC master chefs from its hotel chain are often asked to develop new food concepts for its FMCG business. ITC is a diversified company trading in a number of business sectors including cigarettes, hotels, paper, agriculture, packaged foods and confectionary, branded apparel, personal care, greetings cards, Information Technology, safety matches, incense sticks and stationery.

(ii) **Weaknesses:** The company's original business was traded in tobacco. ITC stands for Imperial Tobacco Company of India Limited. It is interesting that a business that is now so involved in branding continues to use its original name, despite the negative connection of tobacco with poor health and premature death.
To fund its cash guzzling FMCG start-up, the company is still dependant upon its tobacco revenues. Cigarettes account for 47 per cent of the company's turnover, and that in itself is responsible for 80% of its profits. So there is an argument that ITC's move into FMCG (Fast Moving Consumer Goods) is being subsidised by its tobacco operations. Its Gold Flake tobacco brand is the largest FMCG brand in India - and this single brand alone holds 70% of the tobacco market.

(iii) Opportunities: Core brands such as Aashirvaad, Mint-o, Bingo! And Sun Feast (and others) can be developed using strategies of market development, product development and marketing penetration. ITC is moving into new and emerging sectors including Information Technology, supporting business solutions.

E-Choupal is a community of practice that links rural Indian farmers using the Internet. This is an original and well thought of initiative that could be used in other sectors in many other parts of the world. It is also an ambitious project that has a goal of reaching 10 million farmers in 100,000 villages. ITC leverages e-Choupal in a novel way. The company researched the tastes of consumers in the North, West and East of India of atta (a popular type of wheat flour), then used the network to source and create the raw materials from farmers and then blend them for consumers under purposeful brand names such as Aashirvaad Select in the Northern market, Aashirvaad MP Chakki in the Western market and Aashirvaad in the Eastern market. This concept is tremendously difficult for competitors to emulate.

Chairman Yogi Deveshwar's strategic vision is to turn his Indian conglomerate into the country's premier FMCG business. Per capita consumption of personal care products in India is the lowest in the world offering an opportunity for ITC's soaps, shampoos and fragrances under their Wills brand.

(iv) Threats: The obvious threat is from competition, both domestic and international. The laws of economics dictate that if competitors see that there is a solid profit to be made in an emerging consumer society that ultimately new products and services will be made available. Western companies will see India as an exciting opportunity for themselves to find new market segments for their own offerings.
ITC's opportunities are likely to be opportunities for other companies as well. Therefore the dynamic of competition will alter in the medium-term. Then ITC will need to decide whether being a diversified conglomerate is the most competitive strategic formation for a secure future.

TC was incorporated on August 24, 1910 under the name of 'Imperial Tobacco Company of India Limited'. Its beginnings were humble. A leased office on Radha Bazar Lane, Kolkata, was the centre of the Company's existence. The Company celebrated its 16th birthday on August 24, 1926, by purchasing the plot of land situated at 37, Chowringhee, (now renamed J.L. Nehru Road) Kolkata, for the sum of Rs 310,000.

(v) Recent performance: ITC Ltd is one of India's premier private sector companies with diversified presence in businesses such as Cigarettes, Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, Packaged Foods & Confectionery, Information Technology, Branded Apparel, Greeting Cards, Safety Matches and other FMCG products. It is facing tough competition from other giants in the markets. Still it is in position to maintain its good position in Indian markets. The markets shares of the different products are given below:

- **Foods products market share:** TC Foods, a division of the ITC Limited, aims to pick up a 25 percent share in Orissa's snacks market. In order to achieve the target, the company launched its new snacks brand 'Bingo' in the state market today. This marks the company's foray into the fast growing branded snacks segment. "We are foraying into a new but fast growing snacks segment of the state", R Venkateswar Rao, Branch Manager of ITC told the media. Earlier, the company had launched biscuits, ready-to-eat and confectionary business. Encouraged by the market response it launched the new range. Currently, the company sells atta, salt and spices under Aashirvad brand along with its brands Candyman and Mintofresh. While the size of the national branded snacks market size is approximately Rs.2000 crore, the fingers snacks segment was the main segment. However, the size of the organised snacks market in Orissa was small at an estimated Rs.12 crore. The share of the potato chips was about Rs.7 crore while cheese balls accounted for the remaining Rs.5 crore, he pointed out. Though there was predominance of the unorganised sector in the state, the organised sector was slowly picking up. The company aimed to cash on it and was eyeing a 25
percent market share in Orissa during the current fiscal. The Bingo range included an array of 16 products in both potato chips and finger snacks segment.

- **Soaps and shampoos market shares:** Nothing succeeds like success. The management at ITC would believe so, as it enters into fairness segment with elan. The company’s foray into the consumer staple business is well chronicled. Its personal care segment has delivered strong revenue growth of 70 per cent on an annual basis in the current financial year, and an increasing market share in the soap and shampoo categories. From almost nothing in 2007, the soap and shampoo categories garnered market shares of 5 per cent and 4 per cent, respectively. And, even if the share of the cigarette business continues to fall to around 75 per cent in the coming years, it is strongly positioned as well. Analysts note ITC took a 13 per cent average price increase, post-budget. This sharp hike could have an impact and the June quarter may actually see a fall in volumes. Yet, profitability is expected to be intact.

- **Cigarettes market share:** According to analysts at Edelweiss, the cigarette business’ earnings before interest, tax depreciation and amortisation (Ebitda) margins are likely to rise 3050 basis points in the next financial year. The company is currently test marketing a 59 mm mid-size filter (in Berkeley, Scissors and Capstan brands) in 30 markets, and is cautiously positive on the segment, they mention. Also analysts at Macquarie Research reckon volumes would bounce back in the second half of the current financial year. “The income-based indicator shows the cigarette price growth has lagged the per capita income growth and has increasingly become much more affordable,” the report mentions. More, the company would be generating strong cash flows, and this is what makes it a favourite on the bourses, besides the bonus issue. Analysts estimate the company will have around Rs 1,500 crore of utilised cash and allow to grow the way it wants. Another observation from Macquarie analysts is that the company’s share price has done well, even when rains have been deficient. In past raindeficient years, it has been observed that Hindustan Unilever underperformed relative to the market during the June-September period and ITC outperformed. So, it’s gung-ho for the company at the moment.

- **Biscuits market shares:** Though ITC is nearly synonymous with tobacco, it has in no way stopped people from munching ITC’s biscuits. The company has managed to corner nearly
11% of the national biscuit market. Since the Rs 9,000-crore biscuit market witnessed a growth of 20% last year and is slated to sustain its growth this fiscal, ITC is looking at enhancing its biscuit manufacturing capacities by at least 15-20%, primarily to manage supply chain costs and improve profitability. “We plan to set up additional capacities in such areas where we have developed a significant front-end scale, but are limited by proximate capacities. Attempts are being made to create new biscuit variants in segments that are relevant to the consumer. The positioning of the marketing mix is also being worked upon to drive consumption by creating convenient price points or by differentiating product propositions,” Mr Chitranjan Dar, chief operating officer, ITC Foods Division, told ET. For starters, ITC plans to drive growth by vitalising its brand ‘Sunfeast’ through product innovation, contemporary packaging and targeted brand communication. A huge investment is also being planned for brand building and product development. At the same time, the company is looking at investments in building trade loyalty across channels and markets.

Elaborating further, Mr Dar said, “While ITC per se has no plans to rationalise its biscuits portfolio, we review the basket from time to time. Additions or deletions take place on the basis of the market feedback and actual sales. The idea is to strengthen the winners and replace the average performers with potential winners from the biscuits stable. As of now, there is no product which does not contribute positively to the overall pool of contributions.” Incidentally, a large proportion of the growth in the biscuits segment is coming from the mid-price offers growing at 35%. The mid-price offers are the non glucose segment and includes cookies and sandwich cream products. “There are clear indications that consumers are upgrading to mid-price offers in line with the growth of packaged foods in the country. Since consumers are ready to pay for good quality and tasty products, we find a growing value for product quality and hygiene. Hence, our capacity additions will partly be in line with these requirements Mr Dar pointed out. The basic product glucose, however, continues to be largest category in terms of volumes.