Chapter III

INDIAN CONSUMER ELECTRONICS, PAINTS, GENERAL HEALTH, FMCG, CEMENTS AND CHEMICALS

-AN INDUSTRY PROFILE

The researcher has briefly discussed the present status of the Consumer Electronics, Paints, General Health, FMCG, Cements and Chemicals in this chapter. The Chapter is organized in the following manner:

i) Consumer Electronics Industry
   • Industry Performance
   • Industry Analysis- 5 Forces Model
   • Degree of Rivalry
   • Competitor Analysis
   • Industry Growth

ii) The Paint Industry
   • Paint Industry- Market Snapshot
   • New Opportunities for foreign Paint Companies
   • Market Potential
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iii) General Health Industry
• Facts about the health care industry trends:
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V) The Cement Industry

An Overview
3.1 The Consumer Electronics Industry

The total production of consumer electronics was Rs1, 20,000 crore, registering a growth of about 65. Per cent, compared to the previous year. The estimated production of consumer electronics for the fiscal year 2007-08 is Rs.22, 500 crore, indicating a growth of 12.5 per cent over previous year. Consumer electronics continues to be a major sector and its contribution to the total electronic hardware production in the country is 28 per cent.

The Colour TV is the largest contributor in this segment. The high-end products, particularly Liquid Crystal Display (LCD) TVs continues to register a growth of more than 100% and is expected to cross 3 million by 2010-11. DVD Player market has shown a growth of over 20% and is estimated at over 7 million in the further years. There has been a good growth in the Home Theatre segment. It is expected to increase as DTH subscribers increase due to more operators entering into this platform. The Set Top Box (STB) market is growing rapidly due to the expansion of DTH and introduction of CAS in the metros. About 25-30% of the total requirement of STB’s is being met by indigenous sources. Production of B&W TV continues to decline. Some of the medium scale units have moved to the tax exempted regions and these units are doing OEM work for reputed brands¹.

According to industry experts "In the first 10 months of the year, consumer electronics products grew by 8-10%, but categories that are leading growth are the high end categories like flat panel TVs, frost free refrigerators, fully automatic washing machines and split air-conditioners. While the LCD TV segment has grown by over 400% in the first 9 months, the plasma TV segment has grown by over 200% so far."

3.1.1 Industry Performance
The performance of the Consumer Electronics industry comprising television, audio equipment, DVD, VCR has been analysed from 1998-99 to 2002-03.

**Important performance:** Indices such as Debt-Equity ratio (D/E), Return on Net worth (RONW) (Post tax), Net Sales/Total Assets and Operating Profit/Net Sales. It is the declining trend of D/E till 2001, but rising trend thereafter, showing that the industry is shouldering an increasing debt burden. This may be because of the need to pump more funds for aggressive marketing. RONW (Post tax), has increased from 7.3 in 1998-99 to 10.2 in 2001 but plummeted to 7.6% in 2001-02 and became –3.3 in 2002-03. Profit margins of all the players have decreased due to falling prices and increasing marketing and R&D costs. This indicates that the industry, in general, is in a state of turbulence and there are fluctuations in financial performance driven by changes in competition and consumer centric promotions. The ratio of Operating profit/Net Sales exhibits the fluctuating pattern over the years with drop to an all time low of 4.4 in 2002-03.

This indicates increasing pressure on bottom line due to heightened competition. More or less stable Net Sales/ Total Assets (Turnover ratio) hovering between 1.09-1.22. This indicates that there is relatively stable utilization of assets (CMIE Financial aggregates, 2004; CMIE Corporate sector, 2004).²

These four indices taken together show that the consumer electronics industry is passing through a difficult phase from year 2000 onwards, characterized by increasing debt, erosion of net worth, declining profits and low asset utilisation. The industry is undergoing changes in the levels of competition and hence there are fluctuations in financial performance. The entry of MNCs in the market has given rise to aggressive marketing and thus eroding the
profitability of well entrenched Indian players. Given the turbulence in the environment there is a need for an in-depth analysis to decipher the impact of various factors.

3.1.2 Industry Analysis- 5 Forces Model

Michael Porter’s Five Forces Model provides a robust and time-tested framework for analysing any industry, reflected in the strength of the five forces (industry competitors, potential entrants, and threat of substitutes, power of buyers and power of suppliers). The collective strength of the five forces determines the ultimate profit potential in an industry, where profit is measured in terms of long term returns on capital invested (Porter, 1980). The elements of each of the above forces and the extent and/or effect of each element in the context of the television industry have been analysed and enumerated below.

Porter’s framework, however, does not address three important variables- Government and Regulatory Interventions, Technological Changes, and Growth and Volatility of Market Demand. These variables have been included in the model proposed by George Day (Day, 1990)³.

3.1.3 Degree of Rivalry

Degree of rivalry denotes the intensity of competition within the industry. LG is the market leader with 26% market share followed by Samsung and Onida. Although LG is the market leader, its average realisation is lower than the industry average due to competitive pricing. India is one of the biggest global markets for LG, therefore its strategies are much more aggressive to ensure huge growth. On the other hand, Samsung is far stronger than LG globally, and while India is a key market, there is no crushing need to ensure immediate big growth numbers. The company expects the Indian arm to contribute 10% of the total worldwide turnover by 2010. According to Crisil,
the company has been growing at CAGR of 24% between 2001 and 2004. The Company sells a large portion of its wares on a cash-and-carry basis, and has a return on capital employed of 43%. Despite being big in size, the company is operating in a tough market, which explains why it has a net profit margin of only 5%. Videocon, another major player has managed to hold its own in the midst of the onslaught from the Korean majors, though profits have suffered. Other large Indian companies in the top of the list are Mirc Electronics. While Mirc Electronics is managing to hold its share by adopting value for money strategy, BPL is facing tough time, experiencing drastic decline in market share. Sony, Philips, Akai, Sansui, Aiwa, Toshiba and now Hyundai are the other foreign brands in the market.

The industry is based on numbers game and companies will have to maintain a fine balance between catering to lifestyle requirements and meeting the needs of average consumer. The sales value of the top six CTV players has increased more than proportionately to the corresponding increase in their market shares. Although the top players have drastically reduced prices, they have gained more volume due to increasing market size and higher penetration levels, coupled with conscious shift towards flat colour televisions (FCTVs)^4.
3.1.1 Competitor Analysis

A detailed analysis of some of the major players is done below:

LG ELECTRONICS

LG Electronics rightly understood the consumer motivations to create magnetic products, price them strategically, position them sharply and keep making the magnetism more potent. Having understood the finer differences in consumer motivations, it opted for sharp arrow ‘reasons-to-buy’ differentiation over the ‘blanket-all approach’ taken by most of the other players. It is an aggressive marketer. It focuses on low and medium price products.

SAMSUNG

Initially the strategy of Samsung in India was to create premium image by emphasizing global brand. After facing stiff competition from another Korean major- LG, Samsung also started playing price game. In 2004 it reverted back to its premium positioning, although it resulted in some loss of market share. In line with the Global Digital Initiative of the Parent Company, Samsung India is seeking to acquire digital leadership in India by introducing its digital ready televisions like the 40" LCD Projection TV, 43" Projection TV and the Plano series of Flat Colour televisions.

ONIDA (MIRC ELECTRONICS)

Its popular devil ad although had engendered a strong emotional pull towards the brand, technologically it represented no advancement. The company plugged the gap by touting its digital technology. Like Videocon, it has also been able to hold its market share.

The world-class quality of Onida has enabled the company to make a breakthrough on the export front. Onida is a leading brand in Gulf market and
also exports its models to Africa, Bangladesh, Sri Lanka and Nepal. It has technical tie-up with the Japan Victor Company, better known as JVC. So focused is Onida on positioning itself on the premium, high-tech plank that it is even planning to push its own envelope on obsolescence, much like Intel has been doing in its own industry. The strategy is aimed at further broad basing the product offering of the company, which has largely dominated the top-end of the television market, across multiple market segments. Besides understanding the strategy adopted by different players, several other factors - industry growth, concentration and balance, corporate stakes, fixed cost, and product differences need to be analysed to determine the extent of rivalry between the existing players.

**VIDEOCON**

Videocon has always been a price player and has an image of a low price brand. This entails providing more features at a given price vis-à-vis competitors. It has taken over multinational brands to cater to un-served segments, like Sansui- to flank the flagship brand Videocon in the low to mid priced segment, essentially to fight against brands like BPL, Philips, Onida and taken over Akai- tail end brand for brands like Aiwa. Videocon is one of the largest manufacturers of television and its components in India and thus has advantages of economies of scale and low cost due to indigenization. It has the widest distribution network in India with more than 5000 dealers in the major cities.

It also has a strong base in the semi-urban and rural markets. Due to its multi-brand strategy, it has at present multiple brands at the same price point. This has led to a state of diffused positioning for its brands. It has also led to a cannibalisation of sales among these brands. The flagship brand Videocon has lost market share due to the presence of Sansui in the same segment. Because of
reduction in import duties on CPT the cost advantage of Videocon is also on the decline. Hence it is facing rough weather and also trying to boost exports\textsuperscript{5}.

3.1.2 Industry Growth

The industry has been witnessing robust demand; fuelled by revival in economy, increase in individual disposable income and liberal incentive schemes by banks and financial institutions. The demand for CTV grew at 15% during 1985-89 but witnessed a slump from 1990-94. With the entry of MNCs and thereby aggressive marketing, the period between 1995-96 to 1999-00 saw a surge in growth rate to 29%.

Thereafter the market has been growing but at a decreasing rate due to increasing penetration and near saturation in urban households. This is in spite of the fact that CTV penetration in India is as low as 23%, more so in rural markets and hence has potential for growth. According to the Francis Kanoi report “CTV in India in 2010”, the possible demand for CTVs in India in 2010 is likely to be at least 18.2 mn or 12 mn in the worst scenario. This figure is not very far from that in Europe with a market size of 30 mn sets and China at 24 mn sets as of 1999. It has been further predicted that if power ceases to be an impediment in the growth of CTV market, especially in the rural sectors, a GDP growth of 7% could take the CTV demand in 2010 to 20 million. The report also assumes that economic expansion will lead to increase in prosperity levels down the income strata and the technological advances in transmission, reception etc. will compel replacement (Financial Express, 2001)\textsuperscript{6}.

The entry of Star TV, Zee TV, BBC, CNN among a host of other private channels has given choice to the consumer. Proliferation of niche as well as mass entertainment channels has led to the purchase of multiple television sets per household. World cup and cricket tournaments are key drivers in the increase of CTV sales. Host of cricket tournaments like Series with Australia
and Pakistan, Mini World Cup, World Cup are a major attraction for cricket crazy India and companies are tapping this opportunity by sponsoring cricket related events and running promotions around them.

**Corporate Stakes**

In the year 2002-03, the gross fixed assets of consumer electronics industry were Rs. 5994.3 cr, net worth Rs. 2823.7 cr and capital employed Rs. 6077.6 cr. Thus corporate stakes in the consumer electronics industry are quite substantial (CMIE- Corporate sector, 2004; CMIE Industry Financial aggregates & ratios, 2004).

**3.2 The Paint Industry**

In India, Indian Paint industry’s total market size is US$1400 million. The organized sector of the industry is 55%. The 45% unorganized sector has about 2500 units. The overall size of the paint industry has increased to Rs 7,750 crore in 2004-05 registering a growth of 14 percent against 2003-04. The production of paints rose by 7 percent to 7.17 lakh tonne for the year ended March 2005
3.2.1 Paint Industry- Market Snapshot

- Market Growth of about $200 - $400 million per year over next 5 years
- Per capita consumption of paint in India is 800-900 grams compared to 15-25 kg in the developed countries
- Growth rate in the Organized sector expected to be 15 – 17% per annum
- Unprecedented boom in Housing sector to fill demand for over 30 million new homes.

3.2.2 New Opportunities for foreign Paint Companies

- International retailers had until January 2006 been able to operate in India only through franchise arrangements with local partners
- The Indian Government passed a regulation in January 2006 allowing entry of foreign single retail brands without the need for franchise arrangement.
- Starting February 2006, foreign single retail brands are allowed to:
  - Open their own stores in India, or
  - Own up to 51% of local joint ventures

3.2.3 Market Potential

- Boom in Indian Housing Sector: Increasing urbanization, cheaper housing loans and a shift from semi-permanent to permanent housing structures have been driving growth in decorative paints segment, which constitutes 70% of the $2 billion paint industry in India
• Strong Industrial growth: An average growth of about 10% in the automobile sector which provides 50% of the revenues in the industrial paints segment. Industrial paints account for 30% of the paint industry revenue in India.

• Heavy Infrastructure Spending: New projects in roads, ports and industrial segments increases revenues from protective coatings for civil applications and road-marking paints to all parts of the building paints sector, whether interior, exterior,

• Increase in manufacturing activities: Over 40% of the industrial sector takes the form of OEM finishes, which is expected to grow steadily as a result of increasing demand for consumer goods in India as well as India’s position now as a leading manufacturing hub for the supply of goods to the Southeast Asian and other world markets.

• Less Seasonality: About 65 per cent of the demand for decorative paints stems from repainting. Rising aspirational levels, Shift in the perception of paints as having a protective value rather than a mere decorative have diminished the impact of seasonality

• Rise in Income: Lifestyle based spending by Indian middle class is helping decorative segment of this industry. Contemporary wood finish formulations are replacing the more traditional lacs and exterior emulsions take over from
3.2.4 Market Characteristics

Two Major Classifications:

**Decorative Paints**

- Caters to the housing sector
- Premium decorative paints are acrylic emulsions used mostly in the metros.
- The medium range consists of enamels, popular in smaller cities and towns.
- Distempers are economy products demanded in the suburban and rural markets
- Distribution Network is the key
- Nearly 20 per cent of all decorative paints sold in India are distempers

**Industrial Paints**

- Include powder coatings, high performance coating and automotive and marine paints
- Two-thirds of the industrial paints produced in the country are automotive paints.
- Technological superiority and tie-up with automobile manufacturers
3.2.5 **Industry Characteristics**

Four Major Players control 50% of the market share:

- The demand for paints is relatively price-elastic but is linked to the industrial and economical growth.

- Pricing power – The four major players have successfully raised average prices over the last 3 years without losing market share.

- The industry majors have a vast dealership network and are required to maintain high inventory levels.

- Global Strategic tie-up take place in technology and R&D

**Investment Opportunities**

- Over the next few years, the ratio of industrial paints to decorative paints is expected to be 50:50, more in line with the global trend. Currently it is 30:70. With the decorative segment bottoming out, companies are increasingly focusing on industrial paints.

- Demand for paints from new housing is expected to constitute approximately 30 percent of total demand; the rest comes in from repainting, mainly after the monsoon rains and before the festive season.

- This is a function of disposable income, so improvement in rural incomes will boost the growth in the paint sector. Lending institutions continue to make it easier for a consumer to gather up the finances needed to buy homes.

- Within the decorative coatings segment, considerable growth is being observed in the exterior coatings segment. Paint manufacturers have
launched premium products in this category which are doing well due to superior quality and durability.

The big players and their market share-value of the organized sector are:

- Asian Paints 37%
- Goodlass Nerolac 15.9%
- Berger Paints 13.8%
- ICI 11%
- Jenson & Nicholson 5.7%
- Shalimar 4%
- Others 12%

The market segment is divided into two sectors.

- Architectural 70%
- Industrial 30%

The total volume of the market is 600,000 MT.

The Indian paints sector is valued at Rs 95 bn in value terms and is very fragmented. In volume terms, the sector posted a 15 per cent of growth in FY06. The current demand is estimated to be around 6,50,000 tonnes per annum and is seasonal in nature.

The focus on urban and rural housing to increase demand for paint companies shall lead to increase in demand for paint companies. Also, lower custom duty on chemicals is likely to ease some pressure on profitability by
paring the pressure on cost of inputs. Paint sector expected to grow at 2 time’s long-term GDP growth in the future. With GDP growth expected to around 8% to 9% per annum. Reduction of duty on import of raw materials used in the paints industry to 8% from the current 16%, while retaining the rate of import duty on finished products at 16%9.

Paint industry in India has been consistently growing in double digit in the past fifteen years, thus unique. The per capita consumption of 900 grams in India is still low as compared to 15kg in Europe & 21kg in US, thus offers scope to grow. While the Industrial paints business is driven by growth in automobile & white goods segment, decorative growth is lead by housing, agriculture, disposable income increase. The consumers’ involvement in the paint purchase has been low on account of lack of knowledge about the products with the consumers, lack of ambience at the paint selling shops as most are crowded and do not provide touch & feel of the products sold. Therefore, influencers like painters play an important role in paint buying process10.

3.3 General Health Industry

Health care industry plays an important part in the economy of a country.

Human body is the residence of multiple disease and ailment. It is therefore necessary that a man takes care of his health adequately. Health care has been a subject pursued by the human society since the ancient times. Health care ordinarily refers to prevention, treatment, and management of diseases and maintenance of physical balance through various means available for the same. There are many aspects of health care and health care services. It includes health care for child, for grown up men, health care for senior citizens, for nursing and pregnant woman and virtually every one.
Different countries like Indonesia, Russia, Mexico, Brazil, India, Turkey and China comprise approximately 1/5th of the worldwide health care sales. Health care industry trends also suggest that the medical related conditions in the developing countries which are chronic in nature will be similar to the ones existing in the developed countries. In order to meet international standards, the existing health care industry is required to alter the mode of operation for generation of higher revenue and greater contribution to the Gross Domestic Product of the country\textsuperscript{11}.

The National Common Minimum (NCM) programme of the government identifies health as an important thrust area. Healthcare is an important sector so as to attain a healthy productive workforce, general welfare and for population stabilization. Major initiatives were undertaken in the health sector during the current year by the government to increase public spending on health and to translate the objective of providing effective, affordable, and accessible healthcare facilities to the people. The healthcare sector in India has been growing at an enormous pace. During 2002, India's health care industry contributed 5 per cent to the GDP and employed approximately 4 million people. By 2012, this industry is projected to contribute 8.5 per cent of GDP. Healthcare spending is expected to double over the next 10 years. It is expected that private healthcare will form a large chunk of this spending, rising from US$ 14.8 billion to US$ 33.6 billion in 2012\textsuperscript{12}.

**Facts about the health care industry trends:**

- The cost related to health care was seen to rise in the 90s. Americans not possessing any health care coverage or any kind of health insurance attained the 42 million mark.

- It has been anticipated that the elderly sick people will impose considerable stress on the health care sector of US.
The total number of different health care programs and different health care insurance coverage’s are likely to increase in the coming years. There has been an escalation in the medical plans from 42.5 million in the year 2006. The health care industry trends also show that it is likely to attain 70.2 million in the year 2025.

The health care industry trends also indicate that the expenses for preventive measures is negligible as compared to the amount spent on treating chronic diseases which accounts for 70% of the fund used for health care.

Trends suggest that there are very less Americans (around 23%) who make an effort to prevent any lifestyle diseases by consuming the optimum level of vegetable and fruits.

The health care industry determines the GDP or the gross domestic product of any country. It also determines exports status, employment, capital investment etc. Health care segment provides employment openings to many individuals directly associated with the health care sector or other associated sectors, related to the health care industry in some way or the other. Efforts are usually made to keep the dollars rolling within the country economic set up. Businesses dealing in health care adds to the already existing economy by buying utility programs, by paying taxes for property etc. The Health care industry is today one of the largest and fastest-growing industries in the world. The enormity can be counted from the fact that health care services have been consuming nearly one tenth of GNP in developed countries. Every country has got its own health care system and network. The Health care services include hospitals, doctors, nursing homes, pharmacies, laboratories, medical units, and para-medical services. While the lion's share is till date occupied by Public institutes, private institutes are growing at rapid rates and the day is not far off.
when they will surpass the public institutes. In fact most people already prefer the private institutes on the basis of expertise and services offered though they happen to be a much costlier proposition compared to the public utilities available. The health care industry also includes services provided by doctors and all allied health services provided by any other provider.

The health care industry consists of the following:

- Dentists and doctors
- Protective care and nursing
- Pharmacies
- Allied medical, health services
- Hospitals

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The health care industry takes effort to prevent any lifestyle diseases by consuming the optimum level of Medical Tourism.

**Medical Tourism**

Medical Tourism in India is a budding concept whereby people from all over the world can visit the country for their medicinal and relaxation
requirements. The reason for India being a favorable destination is because of its excellent health infrastructure and technology. Most common treatments are heart surgery, organ transplants, eye surgery, knee transplant, cosmetic surgery and dental care.

India is also catching up as a popular medical tourism destination for its low-cost but world-class medical treatment. The Indian healthcare market according to industry sources is reporting to be growing at over 30% annually. McKinsey study on healthcare says medical tourism alone can contribute Rs. 5,000 - Rs.10,000 crore (Rs. 50-100 billion) additional revenue for up market tertiary hospitals by 2012, and will account for 3-5% of the total healthcare delivery market.

The Ministry of Tourism has taken several initiatives, in partnership with the private sector, to promote India as a destination for medical tourism to foreign tourists and make it a global health destination. The Ministry is also considering setting up of a National Accreditation Board for Hospitals.

Measures for rationalizing the flow of tourist traffic have already been taken. Government has decided that there should be a fast track clearance for the medical patients at the airport.

**Key Players**

Private players have made significant investments in setting up state-of-the-art private hospitals in cities like Mumbai, New Delhi, Chennai and Hyderabad. They have introduced latest medical technology and have created a competitive environment. The government's share in the healthcare delivery market is 20 percent while 80 percent is with the private sector. Emergence of corporate hospitals has led to increased professionalism in medical practices and use of hospital management tools.
The scenario

An organized management of all the subjects related to maintenance of health is called Health care services. Ordinarily the things that are related to health care are illness, disease, and medicine. In the ancient times people were often subjected to treatment on the basis of black magic and koaks reigned supreme on the scene. However, scientists were on constant pursuit of development of the health care system and as a result many new medicines and health care methods were invented from time to time. Today, the health care services are more or less controlled by legislation and though there is a number of private organization on the field, they are duty bound to obey the directives of such legal processes.\textsuperscript{14}

4.1 The Fast Moving Consumer Goods Industry

Products which have a quick turnover, and relatively low cost are known as Fast Moving Consumer Goods (FMCG). FMCG products are those that get replaced within a year. Examples of FMCG generally include a wide range of frequently purchased consumer products such as toiletries, soap, cosmetics,
tooth cleaning products, shaving products and detergents, as well as other non-
durables such as glassware, bulbs, batteries, paper products, and plastic goods. 
FMCG may also include pharmaceuticals, consumer electronics, packaged food 
products, soft drinks, tissue paper, and chocolate bars.

A subset of FMCGs is Fast Moving Consumer Electronics which include 
innovative electronic products such as mobile phones, MP3 players, digital 
cameras, GPS Systems and Laptops. These are replaced more frequently than 
other electronic products. White goods in FMCG refer to household electronic 
items such as Refrigerators, T.Vs, Music Systems, etc.

In 2005, the Rs. 48,000-crore FMCG segment was one of the fast 
growing industries in India. According to the AC Nielsen India study, the 
industry grew 5.3% in value between 2004 and 2005\textsuperscript{15}.

\textbf{4.1.1 Indian FMCG Sector}

The Indian FMCG sector is the fourth largest in the economy and has a 
market size of US$13.1 billion. Well-established distribution networks, as well 
as intense competition between the organized and unorganized segments are the 
characteristics of this sector. FMCG in India has a strong and competitive MNC 
presence across the entire value chain. It has been predicted that the FMCG 
market will reach to US$ 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 MNC’s, 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 FMCG market is set to treble from US$ 11.6 billion in 2003 to US$ 33.4 billion in 2015. Penetration level as well as per capita consumption in most product categories like jams, toothpaste, skin care, hair wash etc in India is low indicating the untapped market potential. Burgeoning Indian population, particularly the middle class and the rural segments, presents an opportunity to makers of branded products to convert consumers to branded products.

Growth is also likely to come from consumer 'upgrading' in the matured product categories. With 200 million people expected to shift to processed and packaged food by 2010, India needs around US$ 28 billion of investment in the food-processing industry\(^\text{16}\).

### 4.1.2 The Top 10 Companies in FMCG Sector

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

Source: Naukrihub.com

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.

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.

**4.1.3 FMCG sector to grow over 50 pc by 2010**

Fast Moving Consumer Goods (FMCG) sector will witness more than 50 per cent growth in rural and semi-urban India by 2010, according to an analysis carried out by the Associated Chambers of Commerce and Industry of India (Assocham).

In totality, it is projected to grow at a CAGR (compounded annual growth rate) of 10 per cent and increase its market size to Rs 100,000 crore from the present level of Rs 48,000 crore.
The growing penchant of rural and semi-urban folks for FMCG products will be mainly responsible for this development, as manufacturers will have to deepen their concentration for higher sales volumes.

In the rural and semi-urban areas, FMCG market penetration is currently less than 1 per cent in general as against its total growth rate of about 6.2 per cent.

Indian rural market with its vast size and demand base offered a huge opportunity that FMCG companies cannot afford to ignore. With 128 million households, the rural population is nearly three times the urban.

Though the rural and semi-urban demand of FMCG products will grow, it will put a severe pressure on the margins of manufacturers of FMCG products due to cut-throat competition, finds the analysis. Companies in the sector to benefit will include known names such as Nirma, HLL, Dabur, ITC, Godrej, Britannia, Coca-Cola, Pepsi, among others. The chamber is of the view that the rural market may be alluring but it is not without problems such as low per capita disposable incomes and large number of daily wage earners. Some of the other problems associated with rural markets are acute dependence on the vagaries of the monsoon, seasonal consumption linked to harvests, festivals and special occasions, poor roads and power problems.

The other difficulty that FMCG companies are likely to face is that of logistics. India's 627,000 villages are spread over 3.2 million sq km. Delivering products to the 750 million Indians living in rural areas will be a tough task.

4.1.4 Outlook

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.

5.1 The Cement Industry

5.1.1 An Overview

For India, the world's second largest producer of cement, the recent boom in infrastructure and the housing market has only boosted its cement industry. Add to that an increasing global demand and a flurry of activity in infrastructure projects – highways roads, bridges, ports and houses – has sparked off a spate of mergers and acquisitions in the sector.

The cement industry is experiencing a boom on account of the overall growth of the Indian economy. The demand for cement, being a derived demand, depends primarily on the industrial activity, real estate business, construction activity, and investment in the infrastructure sector. India is experiencing growth on all these fronts and hence the cement market is flourishing like never before. Indian cement industry is globally competitive because the industry has witnessed healthy trends such as cost control and continuous technology up-gradation. Global rating agency, Fitch Ratings, has commented that cement demand in India is expected to grow at 10% annually in the medium term buoyed by housing, infrastructure and corporate capital expenditures.
5.1.2 Current Scenario

The Indian cement industry is the second largest producer of quality cement, which meets global standards. The cement industry comprises 130 large cement plants and more than 300 mini cement plants. The industry's capacity at the end of the year reached 188.97 million tonnes which was 166.73 million tonnes at the end of the year 2006-07. Cement production during April to March 2007-08 was 168.31 million tonnes as compared to 155.66 million tonnes during the same period for the year 2006-07. Despatches were 167.67 million tonnes during April to March 2007-08 whereas 155.26 during the same period. During April-March 2007-08, cement export was 3.65 million tonnes as compared to 5.89 during the same period\(^2\).\(^1\)

5.1.3 Technological Advancements

Modernization and technology up-gradation is a continuous process for any growing industry and is equally true for the cement industry. At present, the quality of cement and building materials produced in India meets international standards and benchmarks and can compete in international markets. The productivity parameters are now nearing the theoretical bests and alternate means. Substantial technological improvements have been brought about and today, the industry can legitimately be proud of its state-of-the-art technology and processes incorporated in most of its cement plants. This technology upgradation is resulting in increased capacity, reduction in cost of production of cement.
5.1.4 Future Outlook

Considering an expected production and consumption growth of 9 to 10 per cent, the demand-supply position of the cement industry is expected to improve from 2008-09 onwards, resulting in an expected price stabilization. The cement industry is poised to add 111 million tonnes of annual capacity by the end of 2009-10 (FY 10), riding on the back of an estimated 141 outstanding cement projects.

5.1.5 Domestic Players

While the Cement Corporation of India, a Central public sector undertaking, comprises 10 units; the various State governments own 10 large cement plants. Among the leading domestic players in terms of cement manufacturing are: Ambuja Cement, Aditya Birla Group (which owns UltraTech Cement), ACC Ltd., Binani Cement, India Cements and J K Cement. They are not only the foremost producers of cement but also enjoy a high level of equity in the market.

Industrial production

The cement industry is enhancing its production levels as new homes and offices are being built, and in keeping with the economy’s annual growth rate. According to the Cement Manufacturers Association, the overall cement production rose by 8.11 per cent during 2007-08 to 168.29 million tonnes (mt) as against 155.66 mt in 2006-07.

Major Players

The major players in the cement sector are:

- UltraTech Cement
• Century Cements
• Madras Cements
• ACC
• Gujarat Ambuja Cement Limited
• Grasim Industries
• India Cements Limited
• Jaiprakash Associates and
• JK Cements.
• Holcim
• Lafarge
• Heidelberg Cemex
• Italcementi

5.6 The Chemical Industry – An Overview

The chemical industry in one of the oldest domestic industries in India, contributing significantly to both the industrial and economic growth of the country since it achieved independent in 1947. The wide and diverse spectrum of products can be broken down into a number of categories, including inorganic and organic chemicals, drugs and pharmaceutical, plastics and petrochemicals, dyes and pigments, fine and specially chemicals pesticides and agro-chemical, and fertilizers\textsuperscript{24}. 
The Indian chemicals industry comprises both small and large-scale units. While the fiscal concessions granted to the small sector in mid-eighties led to the establishment of a large number of units in the Small Scale Industries (SSI) sector, the industry is currently in the midst of major restructuring and consolidation. With the shift in emphasis on product innovation, branch building and environmental friendliness, this industry is increasingly moving towards greater customer orientation.

Petrochemicals, Pharmaceuticals & Bulk Drugs, Dyestuffs, Agrochemicals & Pesticides, Leather Chemicals, Rubber Chemicals, Perfumery Chemicals, Catalysts, Specialty Chemicals, Oil Field Chemicals, Construction Chemicals, Paints & Pigment Industries etc. Our site displays information about most Indian Companies that are involved in Manufacturing, Trading, Producing, Importing or exporting all kinds of Chemicals in India. We strive to cover most categories of Chemicals in due course like Industrial Chemicals & Intermediates, Printing Inks, Textile Auxiliaries, Oils, Fats & Soaps, Surfactants & Ethoxylates, Plastics & Polymers, Bio-Chemicals & Reagent Chemicals etc.

India ranks twelfth in the world for production of chemicals by volume. India’s chemicals industry contributes about 3 per cent to the nation’s Gross Domestic Produce (GDP). The industry has a turnover of about US$ 30 billion, and accounts for about 14 per cent in the general Index of Industrial Production (IIP) and 17.6 per cent in the manufacturing sector. It also accounts for about 13-14 per cent of total exports and 8-9 per cent of total imports of the country. The industry is mostly concentrated in western India, which accounts for 45-50 per cent of the total industry size.

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