

Consumer Goods

Reliance Consumer, a slow mover in FMCG space

Sector Report

SECTOR REPORT

October 20, 2023

NIFTY 50: 19,543

We recently visited Reliance Consumer's key product roll-out markets – in the states of Gujarat and Uttar Pradesh (UP). Our ground checks in Surat and Baroda in Gujarat reveal limited traction for Company offerings. Select outlets have been sponsored by the company which initially did stock products owing to higher credit days, but have now reduced exposure due to muted offtake. A bigger delta is being seen with scale-down of JioMart's B2B services. Jul-23 saw the company launch its offering in UP, where focus is yet again on product push with trade partners. However, for a brand to be successful, 'push' needs to be accompanied by 'pull', which is absent in Reliance Consumer offerings. As things stand now, we do not see any impact on our coverage universe, but given Reliance's capital muscle, we cannot rule out aggressive steps in the long term. In our FMCG universe, we prefer GCPL, Dabur and Emami, while we continue to avoid Colgate. We are also positive on ITC/Britannia, on LT fundamentals.

Reliance Consumer: Lack of product 'pull' affecting scale-up in Gujarat

In the FMCG sector, there is need for 'pull' (consumer traction) along with 'push' (trade support) for a brand/product to be successful. In case of Reliance Consumer, we see only a 'push' strategy, with no focus on creating demand pull; hence, we perceive muted scale-up of the franchise. Our market checks suggest limited consumer awareness about Company brands. Reliance Consumer has not yet been able to make a mark in markets like Surat and Baroda. However, the company does sell its offerings in its own modern trade and ecommerce channels, where consumer perception is mostly like a private label (which is considered cheaper vs mainstream brands, due to its diluted formulation).

Reliance Consumer: Uttar Pradesh launch seeing low-key response

The company has appointed non-exclusive distributors, who have been incentivized well, with improved margins (e.g. for Soaps, retail margin at 20% vs ~8% offered by category incumbents) and better pricing. However, given lack of brand appeal/branding, there is no 'pull' for the offering. Repeat orders remain a tough ask for the supply chain. Key portfolios active in general trade: In Soaps, Company has the *Glimmer* and *Get Real* brand offerings. In Dish-wash, it has offerings under brand *Dozo*. In Confectionary, it has a range of offerings under the *Joy Land* and *Creamy Lacto* brands. Spices products are available under the *Good Life* brand. The *Independence* brand, which has a full range of products, has limited offtake though. *Independence Energy Bites* are relatively better positioned. In this market, consumers generally prefer loose staples; as such, consumer packs do not sell well and, hence, the low adoption of brand *Independence*.

Till brand and distribution shape-up, no solid risk to category incumbents

Reliance's entry in FMCG, so far, has had no structural impact (as we envisaged in Apr-23 due Reliance's marketing/distribution strategy). We see the continued lack of brand pull affecting its aspirations; also, scale down of JioMart's B2B initiative has curtailed its distribution edge. Rising regional competition would affect category incumbents in the near term, but limited aggression from large competitors would be seen as a positive.

Rating, Target Price and Valuation

	Rating	CMP (Rs)	TP (Rs)	Upside (%)	P/E (x)		EV/EBITDA (x)	
					FY24E	FY25	FY24	FY25
Britannia Industries	BUY	4,575	5,350	17	51.2	45.0	34.8	30.7
Colgate-Palmolive	SELL	2,111	1,800	(15)	45.4	42.7	30.7	28.8
Dabur India	BUY	525	650	24	46.1	39.7	33.6	29.0
Emami	BUY	510	625	23	29.4	26.5	21.6	18.9
Godrej Consumer Products	BUY	988	1,200	21	44.6	39.5	31.9	28.2
Hindustan Unilever	HOLD	2,501	2,800	12	55.9	49.2	39.2	34.6
ITC	BUY	438	525	20	27.2	24.7	21.0	19.1
Marico	HOLD	540	585	8	47.2	41.8	33.5	29.8

Source: Company, Emkay Research

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Coverage on Reliance consumer

- Reliance FMCG: Can be disruptive ([report link](#))
- Reliance Consumer: Assessing competitiveness of FMCG categories ([report link](#))
- Reliance Consumer: Building its portfolio ([report link](#))

Reliance Consumer – FMCG portfolio

Exhibit 1: Dish wash – Organic brand Dozo



Source: Company

Exhibit 2: Soap – Organic brands Get Real, Glimmer and Puric



Source: Company

Exhibit 3: Laundry – Organic brand Enzo



Source: Company

Exhibit 4: Beverages – Acquired 50% stake in Sosyo



Source: Company

Exhibit 5: Beverages – Acquired brand Campa



Source: Company

Exhibit 6: Beverages – Acquired brand Raskik



Source: Company

Exhibit 7: Beverages – Brand Bubbles



Source: Company

Exhibit 8: Energy drinks – Runner offering from the Sosyo portfolio



Source: Company

Exhibit 9: Staples – Organic brand Independence



Source: Company

Exhibit 10: Staples – Organic brand Get Real



Source: Company

Exhibit 11: Confectionery – Acquisition of brand *Toffeeman*



Source: Company

Exhibit 12: Confectionery – Brand *Joyland*



Source: Company

Exhibit 13: Bakery – Partnership with Sri Lanka-based *Maliban*



Source: Company

BRITANNIA INDUSTRIES

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
03-Oct-23	4,495	5,350	Buy	Nitin Gupta
28-Aug-23	4,511	5,350	Buy	Nitin Gupta
15-Aug-23	4,500	5,350	Buy	Nitin Gupta
07-Aug-23	4,660	5,350	Buy	Nitin Gupta
06-Aug-23	4,799	5,550	Buy	Nitin Gupta
18-Jun-23	5,045	5,700	Buy	Nitin Gupta
15-Jun-23	4,975	5,700	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

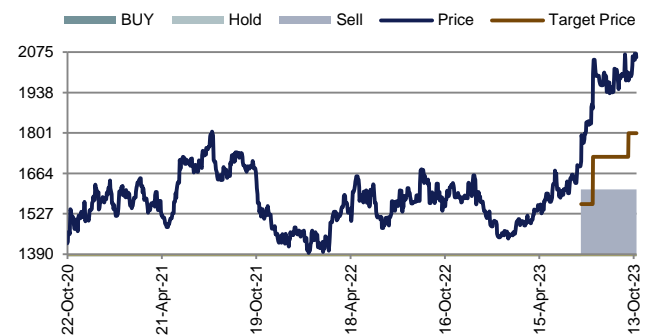
COLGATE-PALMOLIVE

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
03-Oct-23	1,978	1,800	Sell	Nitin Gupta
28-Aug-23	1,936	1,720	Sell	Nitin Gupta
22-Aug-23	1,940	1,720	Sell	Nitin Gupta
15-Aug-23	1,963	1,720	Sell	Nitin Gupta
27-Jul-23	2,002	1,720	Sell	Nitin Gupta
04-Jul-23	1,705	1,560	Sell	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

DABUR INDIA**RECOMMENDATION HISTORY - DETAILS**

Date	CMP (INR)	TP (INR)	Rating	Analyst
19-Oct-23	526	650	Buy	Nitin Gupta
19-Oct-23	526	650	Buy	Nitin Gupta
06-Oct-23	547	650	Buy	Nitin Gupta
06-Oct-23	547	650	Buy	Nitin Gupta
03-Oct-23	554	650	Buy	Nitin Gupta
03-Oct-23	554	650	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND

Source: Bloomberg, Company, Emkay Research

EMAMI**RECOMMENDATION HISTORY - DETAILS**

Date	CMP (INR)	TP (INR)	Rating	Analyst
03-Oct-23	535	625	Buy	Nitin Gupta
03-Oct-23	535	625	Buy	Nitin Gupta
25-Sep-23	515	625	Buy	Nitin Gupta
25-Sep-23	515	625	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND

Source: Bloomberg, Company, Emkay Research

GODREJ CONSUMER PRODUCTS

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
03-Oct-23	993	1,200	Buy	Nitin Gupta
28-Aug-23	1,028	1,225	Buy	Nitin Gupta
15-Aug-23	1,036	1,225	Buy	Nitin Gupta
08-Aug-23	1,009	1,225	Buy	Nitin Gupta
30-Jun-23	1,081	1,225	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

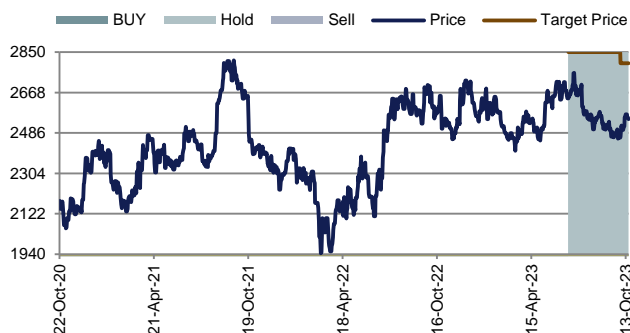
HINDUSTAN UNILEVER

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
20-Oct-23	2,495	2,800	Hold	Nitin Gupta
03-Oct-23	2,469	2,800	Hold	Nitin Gupta
28-Aug-23	2,556	2,850	Hold	Nitin Gupta
15-Aug-23	2,533	2,850	Hold	Nitin Gupta
20-Jul-23	2,703	2,850	Hold	Nitin Gupta
25-Jun-23	2,642	2,850	Hold	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

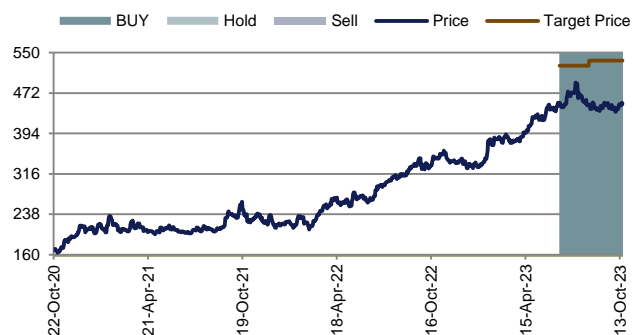
ITC

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
20-Oct-23	441	525	Buy	Nitin Gupta
03-Oct-23	440	535	Buy	Nitin Gupta
28-Aug-23	441	535	Buy	Nitin Gupta
15-Aug-23	449	535	Buy	Nitin Gupta
28-Jul-23	468	525	Buy	Nitin Gupta
24-Jul-23	471	525	Buy	Nitin Gupta
15-Jul-23	473	525	Buy	Nitin Gupta
19-Jun-23	454	525	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

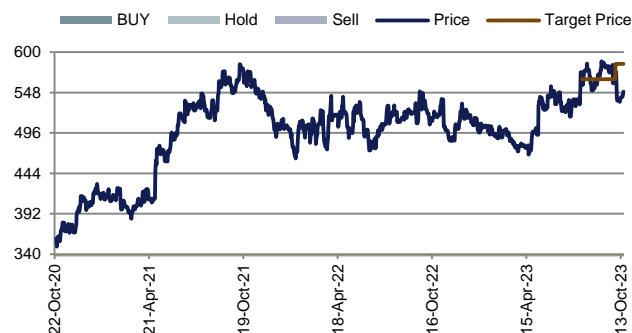
MARICO

RECOMMENDATION HISTORY - DETAILS

Date	CMP (INR)	TP (INR)	Rating	Analyst
04-Oct-23	571	585	Hold	Nitin Gupta
03-Oct-23	576	585	Hold	Nitin Gupta
28-Aug-23	558	565	Hold	Nitin Gupta
15-Aug-23	568	565	Hold	Nitin Gupta
31-Jul-23	561	565	Hold	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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