



**SPARK**  
CAPITAL 

# INVESTMENT BANKING NEWSLETTER CONSUMER

OCTOBER 2018

# FROM THE DIRECTOR'S DESK

“ Dear Reader,



Welcome back to the third edition of the consumer newsletter by Spark Capital. As with the previous editions, we bring you a flavour of the recent happenings in the consumer space that we believe to be worth noting.

In this edition, we take a look at the activewear market in India. With increasing awareness about health and fitness, there is a need for high quality activewear for fashion conscious Indians. We have captured a snapshot of the Indian companies which are currently addressing this market, global companies which have disrupted the space and companies which have built strong brands in niche segments of the market. We believe that there is a gap in the Indian ecosystem which can lead to creation of strong brands if they offer quality performance products at an affordable price.

We also caught up with Mr. Saumil Majmudar, Co-founder & CEO of EduSports - India's leading sports and physical fitness organization, who shared his company's unique journey. The company has been working with schools and implementing a best-in-class physical education & sports program as a part of the daily curriculum.

We capture a list of the most prominent transactions that have recently been consummated in the consumer space.

As always, we wrap up with insights from our Institutional Equities desk.

We hope that you will find this newsletter insightful and we look forward to your feedback.

We thank Mr. Saumil Majmudar, Co-founder & CEO of EduSports and our colleagues from the Institutional Equities desk for their valuable inputs.

See you in December next! ”

**K Ganesh**

**Director & Head – Consumer  
Investment Banking**

# WHAT'S INSIDE?

4



[Analysis](#)

## THE BUSINESS OF FITNESS

Opportunity for Indian companies to create a strong brand in the activewear segment

10



[Interview](#)

## A FITTER TOMORROW

Story of how EduSports is changing the sports regime in schools

13

## RECENT CONSUMER DEALS

[Deals](#)



Recent transactions in the consumer space

15

## LATEST NEWS AND ANNOUNCEMENTS

[News and Announcements](#)



Recent activities and developments across the Indian consumer landscape

17



[Analysis](#)

## FROM OUR EQUITIES DESK

Insights from Spark's Institutional Equities Desk



# THE BUSINESS OF FITNESS

## Spark fact file

### Investment Banking

-  **USD 6.3 Bn**  
Total transaction value till date
-  **USD 4.4 Bn**  
Capital raised till date
-  **USD 1.9 Bn**  
M&A transaction value till date
-  **300+**  
Number of fund relationships globally
-  **USD 500 Mn**  
Average annual deal closure value for the last 3 years

 **13**  
No. of transactions > USD 100 Mn

 **~USD 1.2 Bn**  
Current value of transactions being executed



### Consumer

 **~USD 400 Mn**  
Total transaction value till date

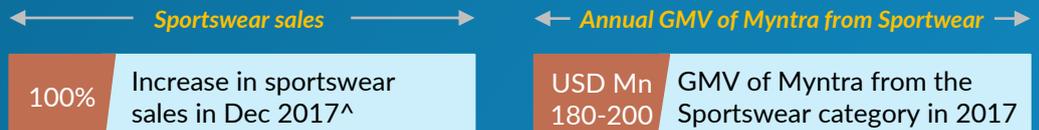
 **~USD 250 Mn**  
Current value of transactions being executed

**A** The activewear market is on a growth momentum as Indians are moving towards a healthy and active lifestyle\*

Indian sportswear market is at a nascent stage...

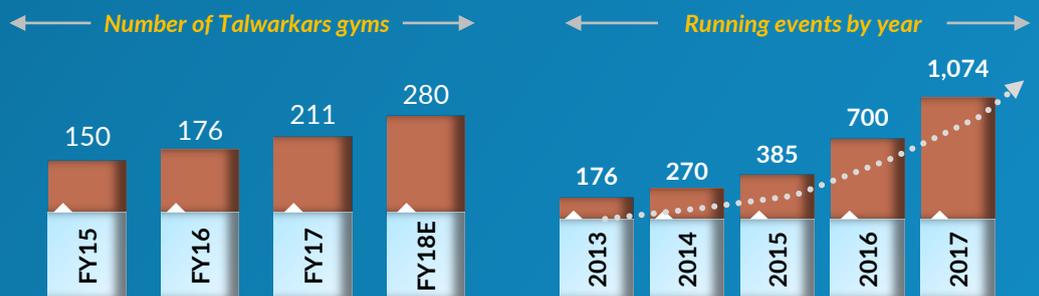


...but growing at a rapid pace...



<sup>^</sup>As compared to an average month during the year

...as Indians are becoming more health conscious and moving to an active lifestyle...



...which is reflected across categories relating to active lifestyle

Indian wearables shipments crosses the one million mark with 66% YoY growth in Q2 2018: IDC India Report



# THE BUSINESS OF FITNESS

## Full Service, Mid-Market I-Bank

- Investment Banking (VC, PE, M&A, IPO, QIP, PIPE)
- Institutional Equities
- Fixed Income Solutions
- Investment Advisory

## Knowledge Banking

- Dedicated sector teams with deep domain expertise
- Ability to bring new ideas to the market
  - Wildcraft
  - People Combine
  - Go Colors
  - ID Foods

## Relationship Banking

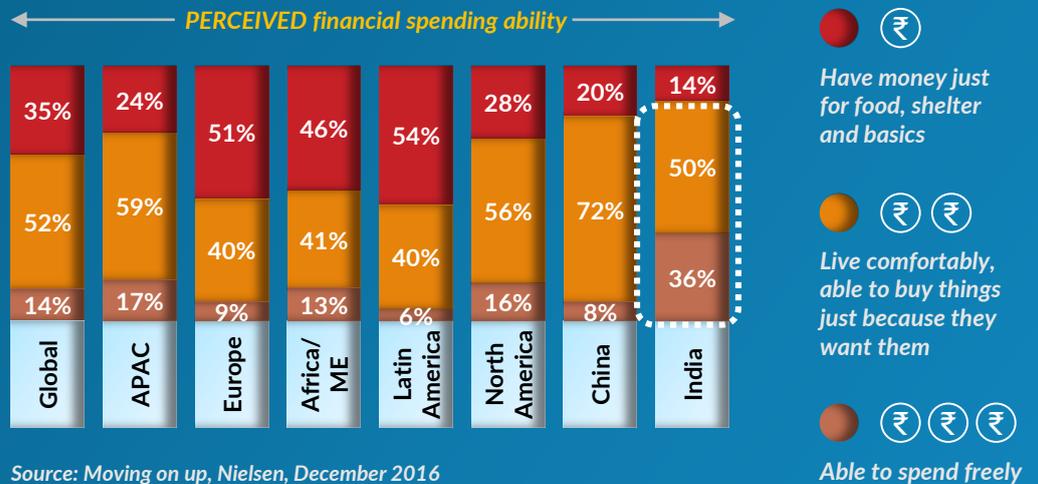
- Long standing relationships with leading consumer sector companies across various segments
- Track record of multiple engagements with existing clients

## Deep Distribution

- Extensive reach to over 300 funds across
  - Private Equity
  - Hedge Funds
  - Family Offices
  - Sovereign Funds
  - Corporates

## B Need for high quality wear for fashion conscious, fitness focussed urban millennials

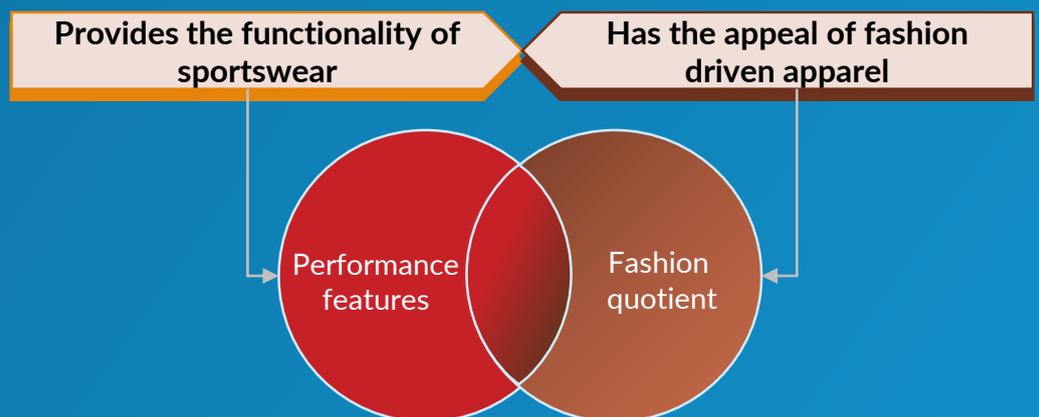
- Millennials, who constitute ~34% of the India's 1.3 Bn population, have the **highest belief**, as compared to other regions, that they can spend freely and live comfortably



**While perceived financial improvement does not necessarily translate into increased spending power, 86% population in India believes to be able to either spend freely or spend on something just because they want them, compared to only 66% globally**

- These consumers have an active lifestyle and are willing to spend a sizeable portion of their income for apparel and other accessories to look and feel good
- They are well informed of global trends and make an involved purchase after considering if the product helps them solve their usual pain points and is in vogue as per the latest fashion trends

## Expectation of millennials from activewear:



# THE BUSINESS OF FITNESS

A few examples of:

## 01 Performance features

### ▶ Moisture management



Sweat, water-wicking – Special materials are used to absorb moisture and keep the wearer cool and comfortable

### ◀ Odour management

Skin germs act on chemicals in sweat, turning them into pungent odor compounds - Special materials with odour-controlling properties are used

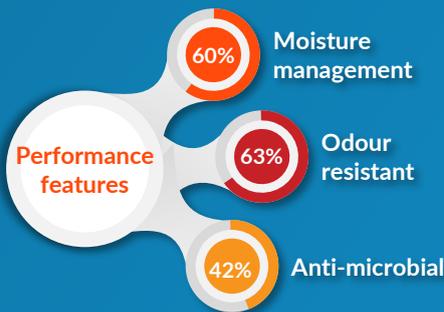


### ▶ Special materials and blends



Special materials such as Lycra, Spandex are used in compression garments which have a very elastic quality. The material clings tightly to the skin, without causing discomfort

% of people likely to pay a premium for performance features<sup>^</sup>



## 02 Fashion and comfort elements

### ▶ Fit and sizing



The concept of fit goes beyond just sizing. Products have to be manufactured considering the Indian body type and shape

### ◀ Multipurpose utility

Activewear is being used in everyday life beyond just exercise. The designs should be amenable for these multiple use cases



### ▶ Visual appeal



With increasing fashion consciousness and the participation of women, activewear needs to be designed in various colours and prints

The colour palette of typical activewear is still predominantly in black, grey shades



Activewear performs various functions in addition to having a fashion appeal. Due to its extensive advantages, active people are ready to pay a premium for these products

## Select Consumer Transactions

August 2018

Exclusive Advisor

To



Private Equity Fund Raise

From



Undisclosed

May 2018

Exclusive Advisor

To



Private Equity Fund Raise

From



Undisclosed

May 2018

Exclusive Advisor

To



Acquisition

By



Undisclosed

March 2018

Exclusive Advisor

To



Private Equity Fund Raise

From



Undisclosed

## Select Consumer Transactions

January 2018

Exclusive Advisor  
To

**GO COLORS!**

Private Equity Fund Raise

By

**ICICI Venture**

~USD 15 Mn

December 2017

Advisor

To

**Specsmakers™**

Private Equity Fund Raise

From

**8<sup>th</sup> EIGHT ROADS™**

~USD 10 Mn

October 2017

Book Running Lead Manger

To

**Vellore Diamond**

IPO

~USD 74 Mn

September 2017

Advisor

To

**Amul**  
The Taste of India

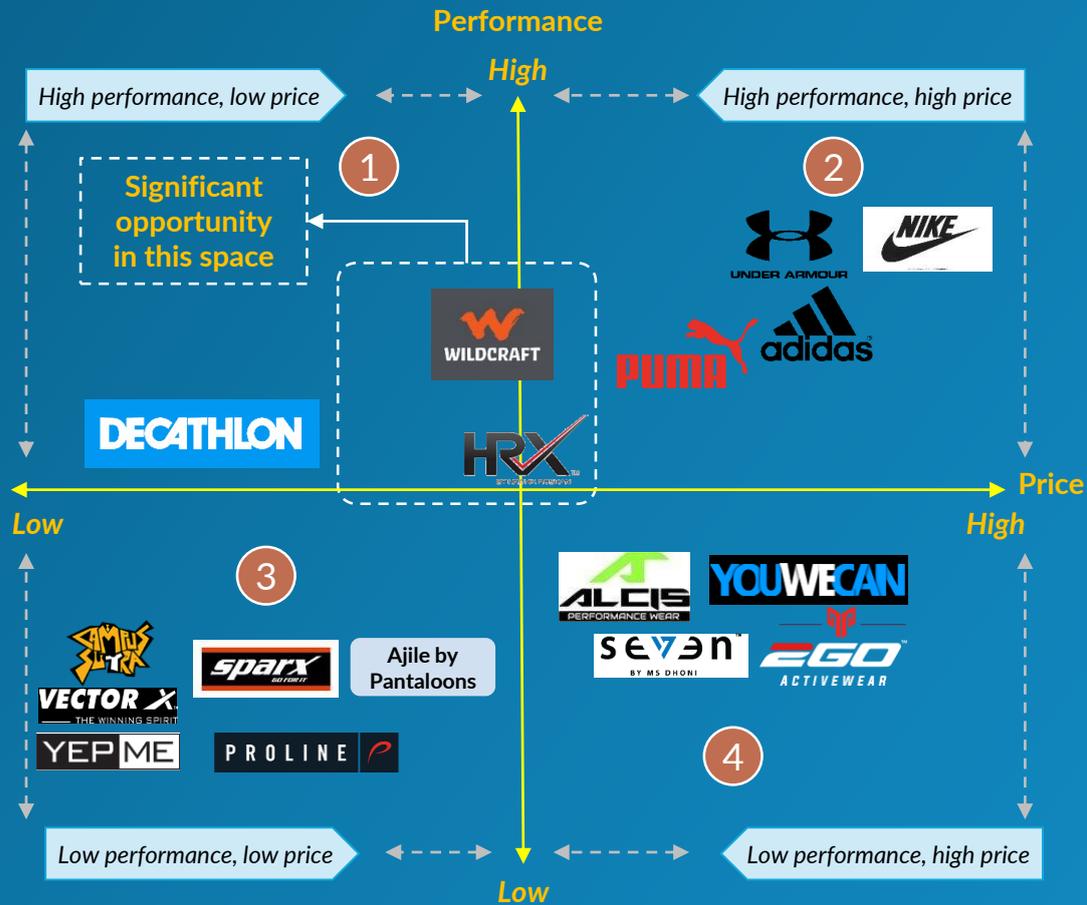
Private Placement of  
Commercial Paper

Undisclosed

# THE BUSINESS OF FITNESS

C

Current segmentation of the Indian active wear market



- Opportunity to build strong domestic brands by offering good value proposition at an affordable price range
  - Products can connect with activewear users who have inherent needs and are looking beyond global players
  - Ability to build strong portfolio in scalable niches by communicating powerful product stories and proposition

- Global companies with product functionalities built in for athletes
  - Operate at high price points and have a wide coverage
  - However, there are gaps in their product portfolio as they are spread too thin in their attempt to being everything for everyone

- Limited technical salience and limited functionality means that the value proposition is commoditized and that makes it difficult to build a performance brand

- No substantial product benefits despite being positioned as athleisure brands
  - Marketed as fashion apparels and have limited performance features

# THE BUSINESS OF FITNESS

## Select Consumer Transactions

**D** Global companies have disrupted existing segments and built a brand in niche segments

Companies disrupting existing categories across activewear

**February 2016**  
**Exclusive Advisor**  
 To  
  
**Buyout**  
 By  
  
**Undisclosed**

**OUTDOOR VOICES CAN'T STOP RAISING BUCKETS OF CASH**  
 Its latest Series C round of \$34 million brings its total funding to date to nearly \$57 million.

**The Cult-Like Following Of Lululemon Is Stronger Than Ever — Despite Controversies**

**November 2015**  
**Exclusive Advisor**  
 To  
  
**Private Equity Fund Raise**  
 By  
  
**~USD 10 Mn**

Tyler Haney's Outdoor Voices Is More Than Just A Brand — It's A Revolution For Women In Business

**HIGH-QUALITY, GUYS-ONLY BRAND RHONE APPAREL WANTS MEN TO STOP BUYING THEIR WIVES' YOGA BRAND.**  
 — WALL STREET JOURNAL

Gymshark takes a bite of the sportswear market

**January 2015**  
**Book Running Lead Manager**  
 To  
  
**QIP**  
**USD 13 Mn**

**L Catterton Makes 'Significant' Investment in Rhone Activewear**

Owner of sportswear giant Gymshark was just 19 when he started making clothes in his parents' garage while working as a pizza delivery driver and just seven years later has a £100m turnover

**October 2014**  
**Exclusive Advisor**  
 To  
  
**Private Equity Fund Raise**  
 By  
  
**USD 6 Mn**

**Meet LNDR, the premium active wear brand that took Nike to court and won**

How Kate Hudson Created a Million-Member Fitness Movement with Fabletics

Gap and Victoria's Secret both made offers to acquire Lululemon in the early 2000s, the athleisure company's founder reveals in new tell-all book

## Select Consumer Transactions

October 2013

Exclusive Advisor

To



Private Equity Fund Raise

By

SEQUOIA

USD 11 Mn

January 2012

Exclusive Advisor

To



Private Equity Fund Raise

By

ASCENT CAPITAL

~USD 18 Mn

February 2008

Exclusive Advisor

To



Majority Stake Acquisition

In



USD 8 Mn

September 2007

Exclusive Advisor

To



Private Equity Fund Raise

By

SoftBank

USD 7 Mn

# THE BUSINESS OF FITNESS

Companies building brands in niche product categories that target active consumers

manduka

YOGA MATS



Manduka Creates the World's Largest Yoga Event of 1 Million Participants



A sock for your run – Rockay Accelerate

IN A CROWDED ACTIVEWEAR SPACE, TRACKSMITH IS PRESERVING RUNNING'S RICH LEGACY

This understated, direct-to-consumer label is a runners' running brand in the truest sense.

French clothing brand Café du Cycliste setting up shop in London



What the Heck Is "Technical Cashmere"?

Kit and Ace has grown rapidly thanks to this signature fabric.

E

Our view



- Health and fitness is a USD 100 Bn category in India and is growing at a rapid pace



- There is a gap in the Indian activewear market for products which offer mid to high performance features at an affordable price range



- This provides an opportunity to build strong domestic brands which offer a high performance to price quotient

# EXPERT SPEAK

## A FITTER TOMORROW

Select USD 100 Mn + Transactions

August 2018

Exclusive Advisor  
To



Private Equity Fund Raise

By



USD 100 Mn

March 2017

Exclusive Advisor

To



Private Equity Fund Raise

From



USD 100 Mn

January 2017

Co-Book Running  
Lead Manger

To



IPO

~USD 183 Mn

November 2015

Joint Financial Advisor

To



Majority Stake Acquisition

By



USD 270 Mn



Saumil Majmudar  
Co-Founder & CEO



We caught up with the Co-founder & CEO of EduSports, Mr. Saumil Majmudar, on the company's journey, his views on how sports is becoming an embedded part of the school curriculum. He shares EduSports unique story and how its changing the way sports is seen in India.

1. EduSports has been one of the earliest companies to focus on fitness. How did the journey start ?

We started our journey with a simple idea of wanting to make kids play. We wanted to promote sports among school children by making it a part of their daily curriculum. Initially, it was a challenge to convince the school authorities about the importance of sports. The schools wanted an assessment of the results and we were able to provide them a well-structured sports curriculum with data on how various parameters of fitness can improve among students. This was the genesis of EduSports.

2. From 10 schools in 2009, you have now grown to 800 schools. How have you seen the mindset of the people change?

The market has a unique dynamic since the end consumer and the payer are different and there is an intermediary involved. While the kids like to play, the schools have to support the initiative and the parents should be willing to pay.

Most of the schools did not want to do anything more than assigning a period for sports or utmost appointing a physical education teacher. We now see a change in this mindset as the discussion has moved from why to how.

They are now more concerned about how we are going to structure the training exercise,

## EXPERT SPEAK

Select USD 100 Mn +  
Transactions

Sep 2015 Onwards

Exclusive Advisor

To

Select Institutional Buyers

Secondary Stake Acquisition

In



USD 403 Mn

November 2014

Exclusive Advisor

To



Private Equity Fund Raise

From



USD 346 Mn

June 2013

Exclusive Advisor

To



Leveraged Buyout

By



USD 270 Mn

March 2013

Exclusive Advisor

To



Majority Stake Acquisition

In



USD 182 Mn

assess and measure the effectiveness of the program. It has been a slow and gradual shift but schools now see this as a differentiation.



### 3. How do you assess the results?

Setting the right parameters to assess was the most important task. Conventional parameters like active participation in school sporting events was a very obsolete practice. Therefore, we installed a 12-parameter fitness assessment which analysed factors like body strength, flexibility, and BMI to prepare an age-appropriate training program for the students. Our programs resulted in substantial improvement in children's health and fitness levels along with greater attention span and improved academic performance over time. Today, we are associated with more than 5 lakh children in more than 800 schools.



### 4. What do you think about the increasing dominance of virtual games over physical sports among children?

As urban parents are becoming increasingly fitness conscious, they are also encouraging their children to stay fit right from the start. The real issue is the poor urban planning and lack of open safe places for the kids to play near their homes. If we start having more and more open spaces, my hypothesis is that the kids will start playing out more often.



### 5. How has your journey been with SportzConsult?

We started by organising intercorporate sports events. However, this segment was not scaling quickly. During the process, we realised that the marketing teams of the same companies had a higher budget than the HR teams. This led us to organise sporting events on behalf of different brands. The brands wanted to speak to their consumers and sports was a great way to do it. We have worked with leading brands and events like Nike, Star and Pro Kabaddi league.



### 6. With new events like the kabaddi league, Indian badminton league, does the narrative for sports other than cricket change? How does it help your business?

The ecosystem for cricket in India is well established and there is an existing structure in place at the grassroot level. The other sports do not have the backing of a behemoth like BCCI and the pull of cricket fans. Sports like Kabaddi and hockey need more investments and franchisees need to build a strong fan base. Our business plays an important role in reaching out to a wider audience.



### 7. Please tell us about your B2C business segment.

Through the schools, we were getting an access to parents and children who are our end consumers. We are leveraging on

# EXPERT SPEAK

## Recent Non-Consumer Transactions

**October 2018**

**BRLM**  
For  
  
**IPO**

~USD 230 Mn

**August 2018**

**Exclusive Advisor**  
To  
  
**IPO**

~USD 170 Mn

**August 2018**

**Exclusive Advisor**  
To  
  
**Private Equity Fund Raise**

Undisclosed

**August 2018**

**Exclusive Advisor**  
To  
  
**Private Equity Fund Raise**

By  
  
  
  
**8<sup>th</sup> EIGHT ROADS**

USD 22 Mn

this large base of consumers through our mobile app, engaging with people who want answers to the questions they have regarding their own or their kid's sporting journey. Along with this, we are also providing access to trials and sports clubs. The fundamental of a successful sporting journey is the cycle of assessment. People should assess their current status, formulate an extensive training plan, health, nutrition, etc., and participate in competitions which we are helping them with.



**8. What are your plans to engage with the kids as they grow into their early adulthood?**

At Edusports, currently we focus on kids from KG to 10th Std. Hopefully, we have got the kids to love sports and they will seek out to play more as they grow up. Therefore, our next step would be retail sports programmes for promoting fitness. Till now our journey has evolved from sports to education and to fitness. However, our core continues to be sports and we will continue focusing on this in the future.



**9. How is the start-up ecosystem changing in terms of interest in sports?**

There has been a substantial change in this aspect. Every week, we receive at least a few emails from entrepreneurs who have started or are planning to start something related to sports. There has been a lot of interest in developing tech-enabled solutions to find the right infrastructure to play and to find the suitable people to play with. There is also an increased interest of franchisees and people who want to own a sports property or a team. Slowly, being fit is also becoming a status symbol. Therefore, I think the interest in sports is only going to further increase.



**10. Do you think there is more to sports over the sole purpose of achieving fitness?**

Fitness is just one small fragment of sports. By looking beyond fitness, people can experience the inherent magic of sports. Sports helps in challenging oneself and connecting with others irrespective of their age, income or gender. It brings together people from different communities, cities and helps to break all the barriers and solve disputes by working together.



**11. Are you using the data that you have collected to help the policymakers bring a positive change in the way sports is administered in India?**

Overtime we have collected several data points of many students from schools across India through our annual health survey and we have presented it to the authorities like NITI Aayog, HRD Ministry etc. We would like to see a change in aspects such as the number of physical education periods per day, available ground space in schools etc. Earlier, major changes in the education policy were advocated only from a moral high ground with no data to back it. Today, Edusports has changed that situation and has been able to demonstrate the value of sports.



# RECENT CONSUMER TRANSACTIONS

## Recent Non-Consumer Transactions

**June 2018**

**Advisor**  
To  
  
Healthcare Fund Management

**Exit**  
From  
  
Healing hands. Caring hearts.

**USD 30 Mn**

**May 2018**

**Book Running Lead Manger**  
To  
  
QIP

**~USD 18 Mn**

**December 2017**

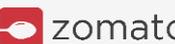
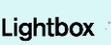
**Exclusive Advisor**  
To  
  
Majority Stake Acquisition  
By  
  
**Undisclosed**

**December 2017**

**Advisor**  
To  
  
Private Equity Fund Raise  
By  
  
evolvence India

**~USD 32 Mn**

## A Private Equity Transactions

Target	Investor	Amount (~USD Mn)
> USD 100 Mn		
	 Greenoaks Capital    SEQUOIA    SoftBank    lightspeed	1,000
	<b>TEMASEK</b>	225
	 Alibaba Group	210
	<b>COATUE</b>   <b>DST</b>    NASPERS*	210
	 Accel    chiratae VENTURES    OAKTREE   <b>IDG Capital</b>    kalaari CAPITAL	120
Sesa Hair Oil	 truenorth	100
< USD 100 Mn		
	 TR Capital Group    STEADVIEW CAPITAL MANAGEMENT    eoiq CAPITAL	75
	 BANYAN TREE   Morgan Stanley	75
	 SAILING CAPITAL    CHINA-EURASIAN ECONOMIC COOPERATION FUND 中国-欧亚经济合作基金	50
	 Essel GROUP	44
	 TPG	40
	 BII Bertelsmann India Investments    vertex VENTURES*	25
 Stanley Lifestyles	 OJIF Oman India Joint Investment Fund	24
	Rabo Equity Advisors	20
	 Lighthouse Partners    SEQUOIA	16
	 sistema AsiaFund    SEQUOIA    Lightbox    evolvence India    ru-net	15
	<b>NORWEST</b>   VENTURE PARTNERS	14

# RECENT CONSUMER TRANSACTIONS

## Recent Non-Consumer Transactions

**November 2017**  
**Exclusive Advisor**  
 To  
 **Quess**  
**51% Acquisition**  
 of  
 **TATA BUSINESS SUPPORT SERVICES LIMITED**  
 ~USD 24 Mn

**November 2017**  
**Advisor**  
 To  
 **KINARA**  
VISAGE HOLDINGS & FINANCE PRIVATE LIMITED  
**Private Equity Fund Raise**  
 From  
 **unitus capital**   
 **GAWA**   
 ~USD 15 Mn

**September 2017**  
**Advisor**  
 To  
 **intellect**  
Design for Digital  
**Rights Issue**  
  
 USD 31 Mn

**July 2017**  
**Exclusive Advisor**  
 To  
 **FIVE STAR**  
**Private Equity Fund Raise**  
 From  
 **SEQUOIA**   
 **NORWEST**  **matrix**  
 ~USD 52 Mn

## B M&A Transactions

Target	Investor	Amount (~USD Mn)
	 	300
		158
 Avadh Namkeen	 Prataap Snacks	22
		20



## C Capital Market Transactions

Date	Company	Amount (~USD Mn)
<u>IPO's</u>		
Jul-18	 <small>TCNS Clothing Company Pvt. Ltd.</small>	164

Date	Company	Investor	Amount (~USD Mn)
<u>Secondary sale</u>			
Jul-18			4



# LATEST NEWS AND ANNOUNCEMENTS

## Recent Non-Consumer Transactions

**March 2017**

**Exclusive Advisor**

To



**Private Equity Fund Raise**

From



**USD 32 Mn**

**November 2016**

**Exclusive Advisor**

To



**Private Equity Fund Raise**

From



**USD 68 Mn**

**June 2016**

**Exclusive Advisor**

To



**Private Equity Fund Raise**

From



**USD 32 Mn**

**May 2016**

**Exclusive Advisor**

To



**Majority Stake Acquisition**

By



**USD 28 Mn**

### FMCG brands launch healthier variants of their products

#### Catering to the changing lifestyle

- Across its variants of Lay's and Kurkure, PepsiCo has reduced the sodium content by 5-25% and the salt content by 13-15%. It has also introduced a healthier version of Cheetos named Ocean Safari
- ITC has also announced its plans to cut down the use of salt by 10% in its noodles and reduce the sugar content by 10% in 75% of its beverages by 2023
- Other FMCG companies like Nestle, HUL, Patanjali and Kellogg's to soon follow the trend

▪ Myntra is engaged in discussions with several mall operators in top cities to open multi-brand brick-and-mortar outlets, including large department stores.

- Plans to open 100 offline stores across major cities in the next two years
- The company will sell apparels, sports and lifestyle products taking on companies like Shoppers Stop and Lifestyle

### Myntra plans to expand through an omni channel presence

#### Gearing for the bigger play

### Metro Cash and Carry to modernize retail and trading stores

#### Digitization of the kirana stores to increase customer traction

- Metro Cash and Carry plans to digitize over five lakh kirana stores in India in the next 3-5 years
- Company is offering modern fixtures, PoS terminals and marketing tools to kiranas with the aim of increasing customer traction alongside boosting modernization of its traders and retailers businesses
- Partnered with EasyPay, a company providing the PoS devices for kirana stores to track daily purchases, sales, inventory and customer details like modern retailers

▪ Future Lifestyle is in advanced stages with Barcelona-based Pepe Jeans to acquire its Indian arm and merge it with Future's own portfolio that owns brands like Lee Cooper and Indigo Nations amongst several others

- Pepe Jeans operates more than 200 stores in India. Acquisition to make Future Lifestyle one of India's biggest casual wear brands in India

### Future Lifestyle may acquire the local arm of Pepe Jeans

#### Acquisition aimed at gaining greater market share

### Domestic grocery companies plan to join hands ahead of tough competition

#### Combined entity aims to retain market leadership

- BigBasket and Grofers have revived talks for a merger, ahead of a costly market share battle with giants like Walmart and Amazon who look to dominate the online grocery market
- The conversations are triggered by existing investors - Alibaba and SoftBank who look to join hands ahead of the upcoming competition
- The proposed deal may involve BigBasket acquiring the smaller rival

# LATEST NEWS AND ANNOUNCEMENTS

## Recent Non-Consumer Transactions

**January 2016**

Exclusive Advisor

To



Structured Capital Raise

From



**USD 30 Mn**

**Sep 2015 Onwards**

Exclusive Advisor

To

Select Institutional Buyers

Secondary Stake Acquisition

In



**USD 403 Mn**

**May 2015**

Exclusive Advisor

To



Private Equity Fund Raise

From



**USD 43 Mn**

**April 2015**

Exclusive Advisor

To



Structured Capital Raise

From



**USD 60 Mn**

### Food ordering platforms to delist non-FSSAI restaurants

Strong move to ensure higher hygiene standards

- FSSAI directed food aggregators including Swiggy, Zomato and Foodpanda to debar the non-FSSAI licensed/registered food operators
- Over 5,000 restaurants that do not meet the FSSAI standards have been debarred from these food platforms
- FSSAI has identified 144 street food clusters across the country that would be audited for their cleanliness and hygiene standards

- Hindustan Unilever and Amazon join hands to co-develop a line of hair and men grooming products entering into a direct competition with offline majors Marico and Emami. The products will be launched under HUL brand Brylcreem
- New range of products will be available exclusively on Amazon India's web marketplace, marking the first of such partnerships for HUL globally
- The new range of products includes beard oil, beard wash, balm, hair cream, and gels

**HUL and Amazon co-developed a line of hair and men grooming products**

Consumer giants enter an untapped market

### Amazon bets big on the Indian offline retail space

Amazon strengthening its offline presence

- Amazon is set to pick up a ~8% stake in Future Retail
- Deal will help Amazon to gain access to Future Retail's 750 - 800 Easyday & Big Bazaar stores
- This, along with More and Shoppers Stop, will further boost Amazon's omni-channel presence in the country

- Tapping into this unorganized segment, Patanjali to launch its dairy products ow milk, curd, buttermilk and cheese
- Patanjali has tied up with ~56,000 retailers and vendors to supply milk across Delhi-NCR, Mumbai, Pune and Rajasthan
- Company claimed to have procured 4 lakh litres of milk on the first day of operations, and plans to introduce dairy products in tetrapacks, along with flavoured milk

**Patanjali announced its entry into the dairy products**

Patanjali forays into diary product market

### Google India to have a shopping tab on its website

A one stop solution to all consumer needs

- Google's 'Shopping' tab which is already present in over 30 countries, allows users to search for products they want to buy and direct them to merchant websites or ecommerce platforms for product listings
- They are already in talks with ecommerce players such as Flipkart, Paytm Mall and Snapdeal along with its large network of registered small and medium enterprises

# FROM OUR EQUITIES DESK

## Institutional Equities Highlights



**240**  
Stocks under coverage



**USD 1.3 Tn**  
Total market cap of stocks under coverage



**INR 320 Bn**  
Total cash market volume in H1FY18



**350+**  
Number of fund relationships globally



**“Go-to” broker for stocks in the mid-market space**



THOMSON REUTERS  
2017 INDIA ANALYST AWARDS



**Institutional Investor**

5<sup>th</sup> position in 2017  
All India research team



## Consumer



**35**  
Stocks under coverage



**~USD 193 Bn**  
Total market cap of Stocks under coverage

## Key snippets from some interesting notes by Spark's Equities Team

1

### Q1 FY19 Consumer Sector – Summing it up

*Positive growth sentiments and management commentaries on positive rural growth anchor the hope of a broad-based revival in consumption in the coming period. However, raw material (RM) inflation, new packaging regulations, currency instability and monsoon volatility remain the key headwinds for FY19.*

**Discretionary categories outdid FMCG in spite of a higher base:** Contrary to popular expectation, discretionary categories reported strong growth vs staples in spite of a higher base. On a two year CAGR basis, most of the discretionary companies reported double digit revenue growth. 13 companies (out of 27) in Spark consumption universe (SCU) reported more than 15% y-o-y growth, highest ever in last ~12 quarters at least.

**GST bonanza has reset the margins to higher levels:** GST benefits continue to be the key source of margin expansion and cushion against RM inflation. ~70% of our coverage universe expanded margins. Interestingly, almost all the SCU companies are asserting the current high margins as new normal and are working to protect the same.

**Looking ahead :** GST benefits will be completely in the base by 2QFY19, hence the massive non-linearity witnessed in the recent past are expected to subside. The onus of driving earnings momentum would shift to revenue growth from 2HFY19. Delayed festive season would push the growth expectations to 2HFY19 and hence 3QFY19 will be very crucial from that perspective.

2

### Not Marked to Market (NM2M) – “Ahead of curve”

*This note analyses in hindsight how the strategic initiatives taken by Hindustan Unilever in the past aided the company in delivering consistent, competitive and profitable growth in challenging times. How the company has been ahead of the curve by anticipating challenges and planning for the same in advance.*

**Disruption 1 - Demonetization :** Despite having a complex distribution structure, HUL was one of the fastest to recover in a period where trade channels were struggling with temporary cash shortages. While several FMCG players resorted to increasing their direct coverage, company had already implemented similar strategies in 2013 and 2014 in the name of ‘1 will to reach 1 million’ direct outlets and ‘Harvest Impact Traction (HIT); which gave them a head start during the recovery.

**Disruption 2 - Goods and Service Tax (GST) :** Multiple changes to the tax rate and operational ambiguity resulted in inventory mismanagement for several FMCG companies. Micro marketing strategy of segmented marketing called ‘Winning in Many Indias (WiMI) (in 2015), enabled HUL to allocate resources as per individual market recovery pace which facilitated profitable growth. Supply Chain efficiency initiative undertaken in 2017 also facilitated better inventory management.

**Disruption 3 – ‘The Naturals’ trend :** Despite being late to the Naturals party, HUL conceptualized, formulated, manufactured, marketed and distributed ~20 distinct personal care offerings in a span of 15-18 months under the Ayush brand, signifying the company’s agility to capture new trends in the market. We believe HUL’s initiative in 2011 to reformulate the portfolio to remain relevant to changing consumer needs aided the company during the Lever Ayush.

# DISCLAIMER

---

- Information provided in this document with respect to the industry have been compiled from publicly available sources, including official publications and research reports, and is given as general information and has not been independently verified by Spark Capital Advisors (India) Pvt. Ltd. ("Spark Capital"). Spark Capital has not carried out any independent verification of any information contained herein (including statements of opinion and expectation). Accordingly, Recipients should not place undue reliance on such information. The delivery of this document does not constitute a representation that the information given in this document is correct whether at the date hereof or any time subsequent to the date hereof. Spark Capital makes no representation or warranty with respect to the accuracy or completeness of any information or idea contained in this document, nor does Spark Capital undertake any obligation to update this document.
- This document does not purport to contain all the information that the Recipient may require. This document is being provided to give a general overview on the industry. Please note that all forward looking statements contained in this document have been sourced from multiple databases. No representations are being made about the correctness or achievability of these statements or their underlying assumptions.
- This document has been prepared solely for the purpose of providing information related to the Consumer sector and is not to be reproduced or used for any other purpose.
- Neither Spark Capital nor the Promoters nor any of their respective affiliates, directors, officers, employees, shareholders, agents, representatives and advisors of Spark Capital shall have any liability for any loss or damage (direct or indirect) suffered by Recipients on account of their reliance on any representations (express or implied) contained in, or any omissions from this document or any information transmitted orally, in writing, electronically or in any other form to the Recipients.
- All enquiries relating to this document should be directed to Spark Capital personnel mentioned in this document.

# CONSUMER TEAM



**K Ganesh**

**Director**

*ganesh@sparkcapital.in*



**Satish Narayan**

**Vice President**

*satish@sparkcapital.in*



**Laasyaa Chadaga**

**Vice President**

*laasyaa@sparkcapital.in*



**Vishal Prasad**

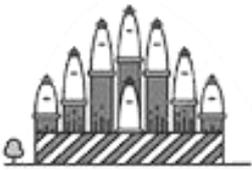
**Associate**

*vishalprasad@sparkcapital.in*



## CHENNAI

No.2 'Reflections', Leith Castle Centre Street,  
Santhome High Road,  
Chennai – 600 028



## BENGALURU

Unit Nos. 503 & 504, 5<sup>th</sup> Floor, Prestige Towers,  
No. 99/100, Residency Road,  
Bengaluru – 560 025



## MUMBAI

Unit No. 1116-C, 11<sup>th</sup> Floor, ONE BKC,  
Bandra Kurla Complex,  
Mumbai – 400 051