



FUTURE CONSUMER

for the Fast Moving Consumer Generation

ANNUAL REPORT
2017-18







FMCG 2.0

We are in the business of brands – brands that nourish, brands that excite, brands that lets one indulge, brands that build a healthier and happier future.

More than two dozen brands that speak, react and respond to the rhythm of the **Fast Moving Consumer Generation.**



Corporate Information



BOARD OF DIRECTORS

G.N. Bajpai

Chairman, Independent Director

Kishore Biyani

Vice Chairman

Ashni Biyani

Managing Director

(effective 22nd May, 2018)

Adhiraj Harish

Independent Director

Deepak Malik

Nominee Director

Frederic de Mevius

Director

Krishan Kant Rathi

Director

Narendra Baheti

Executive Director

Vibha Rishi

Independent Director

STATUTORY AUDITORS

M/s. S R B C & Co. LLP

BANKERS

Kotak Mahindra Bank Limited

RBL Bank Limited

State Bank of India

Yes Bank Limited

HDFC Bank Limited

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Ravin Mody

COMPANY SECRETARY & HEAD-LEGAL

Manoj Gagvani

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REGISTRAR & SHARE TRANSFER AGENTS

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CORPORATE IDENTIFICATION NUMBER

L52602MH1996PLC192090



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Letter from the Managing Director

Dear Stakeholders

I am pleased to share with you the Annual Report of your Company for the financial year 2017-2018. The Company posted consolidated revenue of ₹ 3,005 crore, a growth of 42% over the previous financial year. The EBIDTA margins doubled to around 2.2% and the Company posted an EBIDTA of ₹ 66.4 crore, compared to ₹ 20.7 crore in the previous financial year. With operating efficiencies kicking in, the Company narrowed down its net loss to ₹ 26 crore. On a standalone basis the Company posted a net profit of ₹ 32.3 crore. From here on, your Company is well placed to post positive earnings per share on a consolidated basis.

However, this is just the beginning of a journey we have embarked on and the opportunities that lie ahead are significantly vast to ensure sustainable value creation for each of our stakeholders.

As a new age FMCG Company, we had been conceived uniquely. FMCG 2.0, is based on three fundamental pillars. Firstly, we have a firm bias towards modern trade and building a controlled distribution network. This is enabling us grow with superior demand- forecasting abilities and help us to do business with rich data. And more importantly it significantly reduces our distribution costs.

The second is through managing the entire value chain, from farmer and producer groups, through manufacturing and brand ownership to marketing and distribution. And the third is adopting a customer-first approach, rather than a product first approach that most traditional FMCG companies adopt. We work tirelessly in understanding the ever changing consumers and their behaviours and habits in categories. We believe that we will acquire the lifetime value of this new generation of consumers through our products and brands. Each of these pillars allows your Company to lead the market as a disruptor in the age-old FMCG market in India.

Building a Unique Culture

At Future Consumer Limited, we serve a fast moving consumer generation with constantly rising expectations. Our consumers are demanding and we wouldn't want it any other way. In India, food is culture and reflects old and modern trends, social norms and behaviour.

We therefore place a deep and empathetic understanding of human beings at the centre of our design and product development process. We seek to bring pleasure, convenience, indulgence and excitement into the everyday lives of people through our brands and experiences.

APR 2017

Mother Earth, an organic, all natural, pesticide-free brand launched.

MAY 2017

Poof Potato Kettle Chips launched.

JUNE 2017

Sunkist fusion drinks range extended with summer flavours.

JULY 2017

Kosh introduces flavoured oats.

AUG 2017

Tasty Treat introduces popcorns in four flavours.

SEP 2017

Tasty Treat introduces all new frozen snacks.

OCT 2017

Swiss Tempelle introduces pollution defense face wash along with new shower gel variants.

DEC 2017

Sangi's Kitchen introduces 13 herbs and seasonings.

FEB 2018

Golden Harvest Quinoa promises to make you healthy.

NOV 2017

Shubhra launches Sona Masoori rice.

JAN 2018

Tasty Treat enters the biscuits and cookies category.

MAR 2018

Puretta makes baby steps into baby care products.

A Year of Launches

As a consumer led organization with a strong Indian DNA we have a deep, community-led understanding of the habits, rituals, identities, and preferences that shape consumption in India's complex and wildly heterogeneous society.

We believe that a celebration of food is at the core of being Indian. We recognize the power of food as a source of great joy in our lives, and we seek to eliminate fear, guilt and doubt when it comes to our enjoyment of food. We strive to create experiences of food and FMCG brands that are joyful, uplifting and stress-free. We reject food fads and refuse to see food as only carbohydrates, proteins or fats. We recognize the holistic health potential of all foods and ingredients and seek to bring this holistic perspective to our products.

We want to raise awareness about the goodness of Indian food and ingredients instead of having this knowledge appropriated by others and sent back to India. We respect the role of nature and culture in our food and personal care habits and seek to constantly bring back tradition in a contemporary, modern avatar.

We want Indian homes to enjoy the conveniences, aesthetics and sensorials that are on par with the best in the world. We seek to reinvigorate home care practices that have become mundane and tiring with new designs, ingredients, and conveniences.

Unlike traditional FMCG companies we are modern-trade led, data-led, design-thinking and consumer-led. We are constantly innovating, evaluating, iterating and refining our portfolio based on consumer reactions that we see live, every day in our own retail stores. As part of an organization that owns the entire integrated value chain, we are able to operate with the fearlessness, speed, and passion of a startup and we aim to always retain this energy and sense of wonder.

Zero to One and Infinity

You will be pleased to know that during this financial year, your Company launched 424 new stock keeping units (SKU) in various products across 27 categories in food, home and personal care. While we have launched many new products, brands and categories, we have also grown our brands significantly. Kara as a brand, which we acquired in the FY 14-15 has grown the category of facial wipes in modern retail by around 120%. The brand Tasty Treat has crossed the ₹ 100 crore during the year. Desi Atta Company, as a brand, has grown 2.2x over last year. One-on-one communication has ensured that more than 55% customers who bought Desi Atta Company products came back to shop the brand again within three months.

While at one end we are building new brands and products, we are also simultaneously growing our existing brands and product categories. This is made possible by nurturing both the zero to one instinct and the one to infinity mindset in the organisation.

The 'zero to one' team, helps see and idea from thought to launch. The team works with customers, understands category nuances, develops innovative recipes and packaging ideas and formats and launches products. Then the 'one to infinity' team works with rigour and focus to build the smooth supply chains, ensure availability and create superior distribution strategies for our portfolio of products and brands.

While the traditional FMCG brands focus on their traditional general trade-led distribution network and invest disproportionately in mass advertising, the insurgent mindset within your company works at multiple levels, in creating new distribution platforms, using new and digital media platforms to speak to customers, expanding categories through product innovations and thus nibbling away market



share amongst new and alpha customers. In effect, our brands are growing at a pace faster than traditional, incumbent brands.

Translating Culture into Winning Market Ideas

The focus is as much on creating new categories of consumption as it is on taking a larger share of existing categories. For example, Think Skin is designed as a fighter brand for skin care products. India's shower gel segment is less than US\$ 33 million, compared to the US\$ 2.8 billion bar soap category. In neighbouring Malaysia, shower gels are three times the bar soap category. Traditional FMCG companies attributed India's low use of shower gels to lack of running water for a large consumer base.

Our research showed this might not necessarily be true. With Think Skin, we decided to fight not within the shower gel category but amidst the more mature bar soap universe. High pricing and weak marketing was behind the small market share for body wash. Traditional companies in the past have priced body wash products at a 5-6x premium to bar soaps (100 gram equivalent). However, Think Skin body wash was launched at ₹ 49 for 100 ml, roughly on par with bar soap pricing. The success of this strategy lies not only in the category growing tremendously, but also few established brands having drastically reduced their prices. Think Skin had an early advantage among the alpha customers in modern retail.

Rather than growing our rural footprint by building a slow and expensive distribution network, the Company relied on partnering with State Governments. In Rajasthan, more than 5600 ration shops were converted into self-service stores, Annapurna Bhandaar. These stores distribute both public distribution scheme products through UIDAI authentication as well as sell a much wider range of FMCG products supplied by the Company. Operated in partnership with the Government

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of Rajasthan, Annapurna Bhandaar is now the subject of a case study at IIM, Calcutta and will be expanded soon in Andhra Pradesh.

In addition, the Company has also built a rural wholesale club model through Aadhaar in other states in Western India. Both these models not only help the Company engage with rural customers but also create opportunities for income generation within rural households.

As a stakeholder and well wisher of the organisation, each one of you have been an integral part of the Company's journey. I seek your trust, guidance and blessings in the days ahead. The journey has just begun.

Rewrite Rules, Retain Values

Ashni Biyani

Business of Brands

While Centre of Plate brands led the category mix, our power brands outperformed their peers in almost every category. And the younger brands multiplied in size over the past year

SHARE OF REVENUES

54%

Centre of Plate

Golden Harvest grew **22%**, crossed **₹ 1000 crore** in brand sales. Desi Atta Company grew **2.9X**.

16%

Processed Foods & Dairy

Tasty Treat grew **45%**, crossed **₹ 100 crore** in brand sales. Sangi's Kitchen grew **6.3X**.

23%

Others

Others include sales through rural distribution, fresh fruits and vegetables, unpacked staples and inter-company sales.

6%

Home & Personal Care

CleanMate grew **39%**, crossed **₹ 50 crore** in brand sales. Swiss Tempelle grew **3.7X**.