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**FMCG sector report**

The Fast-moving consumer goods (FMCG) sector is the fourth largest sector in Indian economy and with growing awareness and changing lifestyle, this sector can elevate in the rank. The household and personal care accounts to approx 50% sales in India out of \$29 billion market size in India.

The urban segment contributes around 40% whereas semi-urban and rural share 60%. The deep penetration into the semi-urban and rural segments has increased the sales to double in 2016-2017 and it is expected to grow as easy access, spending power and online sales at finger tip is attracting this industry. The retail market in India is growing at faster pace and is estimated to reach US\$1.1 trillion by 2020 from \$672 billion in 2016. On the other hand, with the share of unorganised market in the FMCG sector falling, the organised sector growth is expected to rise with increased level of brand consciousness, also augmented by the growth in modern retail.

The approval of 100% Foreign Direct Investment (FDI) by government in food processing & single-brand retail and 51% in multi-brand retail will really pump up this industry. With e-commerce growing at a faster pace and reach to semi-urban and rural segment, it is expected to grow to \$188 billion by 2025 (forecast) from \$17 billion in 2017. Also you can't forget the sales of cell phones with 4G connectivity ease the placing of orders online.

In the Union Budget 2017-18, the Government of India has proposed to spend more on the rural side with an aim to double the farmer's income in five years; as well as the cut in income tax rate targeting mainly the small tax payers, focus on affordable housing and infrastructure development will provide multiple growth drivers for the consumer market industry. Increase in rural consumption together with increasing and higher aspiration levels of the rural population, there is a growth in demand for branded products in India. The rural FMCG market in India is expected to grow at a CAGR of 14.6 %, and reach US\$ 220 billion by 2025 from US\$ 29.4 billion in 2016.

E-commerce is also expected to play an important role for the companies to further penetrate the market in rural and semi-urban areas. Internet has enabled the companies a more convenient means to increase companies reach. It is estimated that 40% of all FMCG purchases in India will be online by 2020, thereby making it a US\$ 5-6 billion business opportunity. By the year 2025, e-commerce will contribute around 10-15 per cent sales of few categories in the FMCG sector.

The Goods and Services Tax (GST) is beneficial for the FMCG industry as many of the FMCG products such as Soap, Toothpaste and Hair oil now come under 18 per cent tax bracket against the previous 23-24 per cent rate.

*With the clear focus on rural by Modi government, FMCG industry is likely expected to grow by ~20% in 2018-2019. In case if they are back in game again in 2019, we expect a huge boost for this sector. We expect FMCG index to rally by 20-25% to 34,000 in one year. The stocks like Godrej Industries, Bajaj Electricals, United Breweries Ltd and Godrej Consumer can be the best bet to gauge from the rally.*

Nifty FMCG Sector Index:

The FMCG sector index is outperforming against other indices and trading at all time high above 29K. The technical setup signals the fresh rally has just began after consolidating for 8 months. The cup and handle breakout suggests the target of 34,000, so it's another round of 15% on cards. The play and pause momentum on Point & Figure chart suggests momentum to accelerate and one should not miss an opportunity this time. We are expecting the rally towards 32,000-34,000 levels on index.

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Godrej Industries:

- On weekly chart GODREJIND was in good bull from 300 to 700.
- After this marathon run stock went into consolidation mode.
- The rise in volumes on bullish candles suggests accumulation in stock and now it is heading towards the support of trend line.
- We expect stock to take support at trend line and resume its northwards journey.
- **Buy GODREJIND at 561.50 for the target of 645 with stoploss of 519.**



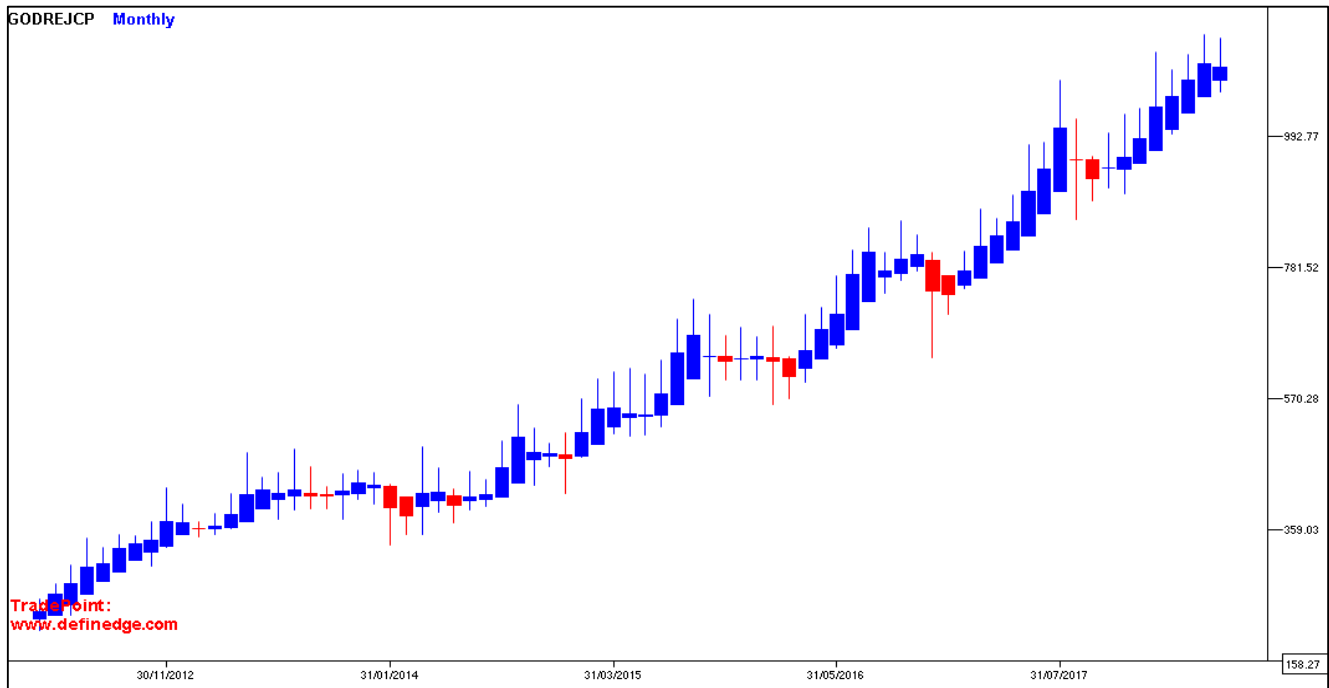
Bajaj Electricals:

- Bajaj Electricals is trending bullish forming higher high – higher low after breaking out of long 7 years of consolidation.
- Stock was able to come out of its cocoon after long consolidation period in 2017.
- Since breakout stock is moving towards north direction and it is trading in between upward parallel line, the healthy sign of bullish trend.
- We can see in volume there is good accumulation in stock.
- RSI was able to bounce back from the support and now it is moving towards north direction indicating good strength in stock.
- **Buy Bajaj Electricals at 602 for target of 720 stop loss 540.**



**Godrej Consumer Products Ltd**

- On monthly chart of Heikin Ashi, the stock is in good Bull Run.
- The rising bullish candle suggests the bulls are having an upper hand and we expect history to repeat.
- The daily chart is suggesting price to breakout of consolidation phase.
- **Buy Godrej consumption at 1079.35 for target of 1400 stoploss of 970.**



UBL

- On weekly chart UBL was in corrective mode from the level of 950 to 750.
- We can see there was rounding bottom formation and then after it was able to breach the resistance with volume.
- Now resistance will act as a support, as we can see there was attempt to breach the support but failed and bounce back.
- RSI was able to deflect from its average line and it is moving gradually towards north direction.
- **Buy UBL at 1153 for target of 1390 stop loss 1030.**





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