

25 November 2025

## FMCG

*GST transition drags quarterly show, optimism in the air for H2 FY26*

Sensex: 84,587

Nifty: 25,885

**Sequential moderation in growth – rural continues to outpace urban.** As per Nielsen, FMCG value/volume moderated to 12.9/5.4% y/y in Q2 FY26 (vs. 13.9/6% in Q1 FY26) due to transitional impact of new GST rates. While sequential moderation in growth was seen in both urban and rural markets, the rural volume (~40% of FMCG volume) continued to grow faster than urban (7.7% vs 3.7%) for seventh consecutive quarter.

**Spirits continue to do well, some uptick in paints:** AlcoBev manufacturers continue to benefit from premiumisation, while the paint companies saw a marginal sequential recovery amid early signs of lower competitive intensity. QSR players were impacted by heavy monsoon, while *Pitru Paksh* and Navratri impacted non-veg portfolio.

**Companies optimistic on H2:** The companies are optimistic that that GST rate cuts would boost affordability and spur consumption from Q3 onwards, especially in food, staples and personal care. Most FMCG companies indicated that pipeline correction in Sep'25 are now normalising. The optimism is supported by good monsoon, lower base and potential share gain from unorganised players (post GST cut providing a level-playing field).

**Deflationary bias in RMs prices; margin uptick in sight:** Barring a few commodities, the broader raw material basket had been significantly softer compared to year. The managements indicated that the combined effect of lower input cost, tighter cost controls, improved operating leverage (on better scale) and pricing actions (undertaken in earlier quarters) should support gross/EBITDA margin of most players in H2 FY26.

**Valuations.** Most FMCG stocks corrected 5-10% in 3 months, after rising in prior 6-month period (barring Marico, Tata consumer which are flat to slight positive), impacted by weak H1 and margin pressure. We believe valuation of several FMCG companies looks attractive especially given expectation of stronger H2 growth. Out of our coverage universe (including discretionaryaries), we expect a ~9% revenue CAGR over FY25-28 driving a ~13% earnings CAGR (vs. 4% y/y revenue growth and 5% earnings decline in FY25).

**Ajay Thakur**  
Research Analyst

We like **Godrej Consumer (Rs1,430), Marico (Rs850), Zydus Wellness (Rs599) and Mrs. Bector Food (Rs1,810).** In consumer discretionary space we like **United Breweries (Rs2,420) and Sapphire Food (Rs 370).**

### Preferred Picks – Valuation Metrics

Companies	Rating	Mkt Cap	CMP	TP	EPS			P/E			RoE (%)	Div Yield (%)
		(Rs bn)	(Rs)	(Rs)	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e		
Godrej Consumer	BUY	1,148	1,112	1,430	21.4	26.4	30.7	51.8	42.2	36.2	16.0	2.1
Marico	BUY	951	736	850	14.3	17.1	19.1	51.3	43.1	38.5	41.0	1.5
United Breweries	BUY	444	1,706	2,420	25.4	33.2	41.1	67.2	51.4	41.5	10.7	0.6
Zydus wellness	BUY	137	447	599	13.1	18.7	21.2	34.0	23.9	21.1	6.0	1.3
Sapphire Foods*	BUY	80	254	370	0.6	2.2	3.5	18.2	14.7	12.5	2.3	0.0
Mrs Bector Food	BUY	79	1,282	1,810	29.1	36.6	43.9	44.0	35.0	29.2	12.3	0.0

Source: Bloomberg, Anand Rathi Research

Note: All prices are as on 24<sup>th</sup> Nov 25

\*Sapphire Foods - EV/EBITDA

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## Revenue Analysis

### Rural growth outpaced urban

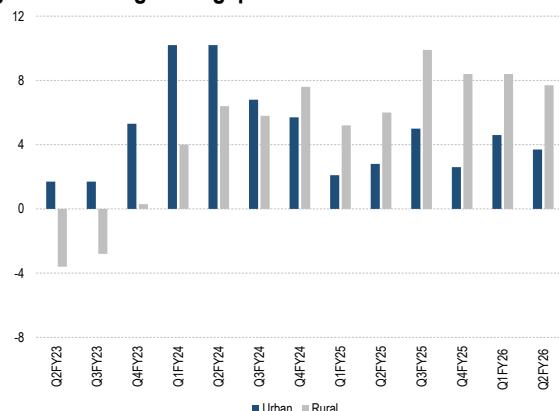
**Rural growth continues its 2x urban pace.** As per Nielsen data, the FMCG grew 12.9% y/y by value in Q2 FY26 (vs. 13.9% y/y in Q1 FY26). Volume grew 5.4% y/y (vs. 6%), which moderated sequentially on account of transition to new GST rates, while pricing growth stood at 7.1% (7.4%). The rural markets (accounting for ~40% of total FMCG volume) grew 7.7%, recording seventh consecutive quarter of volume growth ahead of urban markets (3.7%), though both markets reported sequential slowdown.

**Fig 1 – Industry growth momentum maintained**



Source: Media reports, Nielsen, Anand Rathi Research

**Fig 2 – Volume-growth gap between urban and rural markets**



Source: Media reports, Nielsen, Anand Rathi Research

### E-commerce share inches up in top metros

Metros continue to experience a decline in offline sales owing to a shift towards e-commerce and alternate channels. The share of e-commerce rose by 1% across top metros, as per Nielsen. As per reports, modern trade contributed to growth along with e-commerce, though e-commerce driven volume growth had seen marginal softening in Q2 FY26.

**Fig 3 – Organised trade seen gaining strength**

Companies	Q1 FY26	Q2 FY26
HUL	E-comm grew double-digit	E-commerce contributes 8% to the business; Q-comm doubling y/y, as consumers increasingly prefer this channel.
Nestlé	E-comm: 12.5% of domestic sales	Q-comm accelerated, driven by festive integrations, new launches, focused demand generation, and better platform availability.
Emami	organized channels, grew by 6%, with saliency improving by 190 basis points. Quick commerce: scaling up rapidly at nearly 3x Y/Y	Modern trade and e-comm contribute ~11% each to domestic business, with Q-comm driving ~40% of e-comm sales amid continued channel investments.
Marico	continued its momentum	Q-comm remained a key growth driver, nearly doubling on y/y basis.
Tata Consumer	E-comm including Q-comm grew by 61% y/y	Tata Consumer is the market leader in both E-comm and Q-comm channels, as per its internal tracking.
Adani Wilmar	the overall alternate channel grew by 12%, whereas the e-comm grew by 33% and Q-comm grew by 73%	Alternate channels grew 35% in Q2 FY26, led by 86% surge in Q-comm, where AWL holds strong category-leading shares.
Britannia	500 points higher market share in E-comm	E-comm and Q-comm saw growth in all adjacencies.
Zydus wellness	E-comm: 14.5% of sales	E-comm share in key brands is rising, reaching 15-20% for Complan (levels not fully reflected in industry or company-reported metrics).

Source: Company, Anand Rathi Research

### A good monsoon; GST re-jig to boost growth

**GST cut to bolster organised share:** The GST transition created temporary disruptions across the FMCG space in Q2 FY26, primarily arising from pipeline correction, destocking and portfolio repricing. The revenue impact was varied across companies from ~1% for Mrs Bectors to ~4-4.5% for Emami, ~3-4% for Dabur and ~2-2.5% for Britannia with HUL and GCPL also reporting meaningful category-level volatility. Tea-led players i.e., Tata Consumer saw limited impact, as the category was already at 5% GST, while the disruption was largely confined to soaps for GCPL.

Most managements indicated that these effects were temporary, and trade channels normalised by mid-Oct'25. They are optimistic of improved growth momentum led by: (a) share gain by organised players owing to level-playing field vs. unorganised players; and (b) favourable y/y base; and (c) higher volume pass through in LPU.

**Fig 4 – GST Impact on FMCG companies**

Company	GST impact on sales	Timeline/commentary on normalisation
Britannia	85% of business underwent a change in GST rates. GST transition caused a temporary ~2-2.5% revenue loss in Sep'25.	The situation is now normalised
HUL	~40% of portfolio underwent GST transition to 5% and saw a short-term sales impact in Sept/Oct'25.	The management expects volume to normalise from Nov'25.
GCPL	Short-term trade disruption, especially seen in soaps.	Ex-soaps grew; soaps impacted; recovery expected in H2.
Dabur	GST lowered on ~66% of its portfolio; Dabur called GST-related pipeline impact ~Rs1bn (~3-4% of sales) in Q2 FY26.	The management expects GST cut transition carry-forward effects into Oct.
Tata Consumer	Reported GST transition/disruption in Sept'25 (some destocking) but did not call out a large negative, since its major segment (tea) was already at 5%, so limited impact seen.	The management noted broad normalisation in Oct'25, aided by strong contribution from E-com/Q-comm.
Marico	GST transition issues impacted sales by ~2% in Q2 FY26.	The situation largely normalised by mid-Oct'25.
Emami	~88% of Emami's domestic portfolio benefited from GST cut, taking total 5% GST portfolio to ~93%. Temporary disruption from GST rate change affected short-term sales by 4-4.5%.	Timing of GST rate changes coincided with the peak winter pipeline build-up, leading to deferment in winter portfolio loading. But, the management indicated a strong winter loading in Oct'25.
Mrs Bectors (Foods)	Domestic biscuit sales saw temporary moderation in Sep'25 and early Oct'25 due to GST-linked trade adjustments (~1% quarterly revenue impact).	There was some marginal impact in Oct'25, but there won't be any impact, going forward.

Source: Company, Anand Rathi Research

### 6.5% Q2 revenue growth for FMCG manufacturers

Our analysis of 12 FMCG companies (excluding ITC) shows that revenue grew 6.5% in Q2 FY26 vs. 7% in Q1 FY26 and ~5% in FY25. Most FMCG managements were optimistic about better revenue trajectories, aided by GST rate cut, better rural demand owing to good monsoon, lower base of H2FY25 and higher disposable income at the hand of consumer due to government initiatives. We expect revenues of the FMCG companies of our coverage universe to gradually recover to 9% in FY26, led by volume growth.

In discretionaries space, revenue grew 4.5% y/y in Q2 FY26 (vs. 1% in Q1 FY26) for three paint companies, while for AlcoBev companies it grew by a strong 12% y/y in Q2 FY26 (vs. 16% in Q1 FY26). We expect 5/13% revenue growth for paints/AlcoBev companies in FY26.

**Fig 5 – Volume Growth to Revive**

(%)	FY22	FY23	FY24	FY25	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
<b>Staples</b>											
HUL	3	5	2	2	2	4	2	flat	2	4	flat
ITC (cigarettes)	16	18	4	4	2	2	3	6	5	6	6
Dabur	10	1	6	-1	4	5	-7	1	-2	-1	2
GCPL	4	1	10	4	12	10	7	flat	6	8	3
Marico	7	3	3	5	3	4	5	6	7	9	7
Britannia	3	2	3	7	6	8	8	6	5	2	-2
Emami	11	2	2	5	6	9	2	4	5	-3	-12
<b>Discretionaries</b>											
United Spirits (P&A)	15	17	5	5	4	5	-4	11	9	9	8
United Breweries	33	31	4	6	11	5	5	8	5	11	-3
Radico Khaitan (P&A)	25	20	20	16	14	18	13	18	17	20	22
Asian Paints	31	14	9	3	10	7	-1	2	2	4	11
Berger Paints	20	16	12	8	14	12	6	7	7	6	8
QSR (SSG%)											
Devyani - KFC	49	16	-5	-6	-7	-7	-7	-4	-6	-1	-4
Devyani - PH	45	4	-11	-4	-14	-9	-6	-1	1	-4	-4
Sapphire - KFC	52	15	-1	-4	-3	-6	-8	-3	-1	0	-3
Sapphire - PH	42	12	-16	-1	-15	-7	-3	5	1	-8	-8
Restaurant Brands (SSG%)	47	23	3	1	2	3	-3	-1	5	3	3

Source: Companies, Anand Rathi Research

**Fig 6 – Revenue growth dragged by GST transition for staples; paints inches up while AlcoBev sees healthy growth**

(%)	FY22	FY23	FY24	FY25	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
<b>Staples</b>											
HUL	12	16	2	2	0	2	2	2	2	4	1
Colgate	5	2	9	6	10	13	10	5	-2	-4	-6
ITC	24	17	-1	10	-4	7	13	9	10	21	-3
Dabur	14	6	8	1	5	7	-5	3	1	2	5
GCPL	11	8	7	2	4	-3	2	3	6	10	4
Marico	18	3	-1	12	2	7	8	15	20	23	31
Britannia	8	15	3	7	1	6	5	8	9	9	4
Emami	11	7	5	6	7	10	3	5	8	0	-10
Bajaj Consumer	-5	9	2	-2	-4	-9	0	-2	4	8	13
Jyothy Labs	15	13	11	3	7	8	0	4	1	1	0
Zydus Wellness	8	12	3	16	10	20	12	15	17	2	32
Mrs Bector Foods	12	38	19	15	17	17	20	15	10	8	11
<b>Discretionaries</b>											
United Spirits	19	9	7	7	11	3	-1	14	9	9	12
United Breweries	38	28	8	10	21	9	12	10	9	16	2
Radico Khaitan	19	10	31	18	30	19	21	11	21	33	34
Asian Paints	34	19	3	s	-1	-2	-5	-6	-4	0	6
Berger Paints	29	21	6	3	3	2	0	3	7	4	2
Kansai Nerolac	26	18	3	2	4	-1	1	2	5	2	0
Devyani International	84	44	19	39	39	44	49	54	16	11	13
Sapphire Foods	NA	NA	15	11	13	10	8	14	13	8	7
Restaurant Brands	163	53	22	12	20	16	9	11	12	13	16

Source: Companies, Anand Rathi Research

\*Note: Positive changes of 10% or more in green

## Margin Analysis

### Gross margin pressure reduces, uptick likely in H2

Input price was volatile with some softening bias, which was reflected in Q2 gross margin of the FMCG companies. On aggregate basis (barring ITC), it slipped 10bps y/y in Q2 (vs. 20/140bps decline in Q1 FY26/Q4 FY25). In discretionary space, the paint companies reported 170bp y/y rise in gross margin (vs. 30/45bps rise in Q1/Q4). AlcoBevs saw an aggregate 90bps y/y expansion in gross margin, led by stagnating ENA prices, better mix and lower glass cost.

With most input cost moderating, and price hikes in select products in earlier quarter (H2 FY25/Q1 FY26) and GST cut in certain inputs, we expect gross margin to expand in the coming quarters.

**Fig 7 – Gross-margin Trend**

(%)	FY22	FY23	FY24	FY25	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q1 FY26
<b>Staples</b>											
HUL	50.9	47.6	51.9	51.6	51.9	51.4	51.0	50.7	50.5	49.2	50.4
Colgate	67.3	65.7	67.7	69.9	69.3	70.6	68.5	69.9	70.6	68.9	69.5
ITC	53.4	56.3	58.8	55.5	59.9	57.7	51.6	54.4	54.7	49.0	54.6
Dabur	48.2	45.6	48.0	48.0	48.6	47.8	49.3	48.1	46.7	47.0	49.4
GCPL	50.5	49.7	55.2	54.5	56.1	55.9	55.6	54.1	52.5	51.9	52.1
Marico	42.9	45.2	50.8	50.3	51.6	52.3	50.8	49.5	48.6	46.9	42.6
Britannia	38.0	41.2	43.4	40.9	44.9	43.4	41.5	38.7	40.1	40.3	41.7
Emami	66.3	64.7	67.6	68.9	65.8	67.7	70.7	70.3	65.9	69.4	71.0
Bajaj Consumer	58.1	54.2	55.0	54.2	55.5	56.1	53.3	52.7	54.7	57.7	60.2
Jyothy Labs	41.6	42.3	49.1	50.1	49.5	51.3	50.2	49.8	49.2	48.0	48.0
Zydus Wellness	51.2	49.2	51.1	52.8	54.6	55.6	47.8	49.0	54.9	55.0	52.9
Mrs Bectors Food	44.2	44.6	46.7	46.2	47.7	48.0	47.3	45.1	44.3	45.6	44.2
<b>Discretionaries</b>											
United Spirits	45.5	42.9	46.6	47.0	45.7	52.7	45.2	44.7	46.0	52.7	47.1
United Breweries	49.9	43.1	42.7	44.2	41.9	43.2	44.0	43.3	42.2	42.6	44.0
Radico Khaitan	45.0	41.8	42.5	42.8	41.0	41.0	43.6	43.0	43.5	43.0	43.6
Asian Paints	37.1	38.7	43.4	42.4	43.7	42.5	40.8	42.4	43.9	42.7	43.2
Berger Paints	38.0	36.3	40.7	41.4	40.7	39.9	41.7	41.6	42.7	41.4	41.6
Kansai Nerolac	30.5	30.2	35.3	35.1	34.8	37.0	34.0	35.3	34.6	36.1	35.0
Devyani International	71.2	70.0	70.3	68.9	69.2	69.2	69.3	68.7	68.5	68.2	67.8
Sapphire Foods	68.9	67.3	68.7	68.5	68.9	68.6	68.8	68.6	68.2	67.4	67.8
Restaurant Brands	65.8	66.4	67.0	67.7	67.7	67.6	67.5	67.8	67.8	67.7	68.3

Source: Companies, Anand Rathi Research

**Fig 8 – Gross-margin Changes**

(bps)	FY22	FY23	FY24	FY25	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
<b>Staples</b>											
HUL	-195	-332	430	-36	316	154	-169	-83	-139	-222	-66
Colgate	-69	-163	203	23	244	222	-23	-226	131	-172	91
ITC	-265	283	113	-330	130	-175	-572	-237	-347	-748	299
Dabur	-171	-257	217	4	279	119	102	-55	-192	-75	10
GCPL	-479	-85	544	-70	304	211	70	-175	-362	-395	-348
Marico	-410	235	560	-56	417	227	30	-178	-301	-533	-814
Britannia	-392	313	224	-91	-3	0	-137	-515	-479	-310	16
Emami	-146	-155	287	134	265	226	61	153	11	176	33
Bajaj Consumer	-611	-199	80	-80	83	64	-180	-127	-85	159	684
Jyothy Labs	-550	70	680	106	378	342	98	1	-31	-328	-215
Zydus Wellness	-354	-204	262	172	382	304	259	88	27	-66	515
Mrs Bector Food	-340	40	210	-50	255	107	64	-30	-345	-237	-316
<b>Discretionaries</b>											
United Spirits	31	-266	375	42	14	-140	175	108	32	3	190
United Breweries	-229	-680	-38	148	314	245	-67	-89	33	-52	1
Radico Khaitan	-530	-316	66	29	42	-207	-51	118	250	196	1
Asian Paints	-717	154	470	-96	121	-40	-259	-116	23	15	242
Berger Paints	-522	-173	439	73	83	5	58	54	205	155	-14
Kansai Nerolac	-750	-30	500	-18	319	169	-172	-88	-13	-89	107
Devyani International	-120	27	-137	-40	-169	-146	-191	-68	-97	-157	
Sapphire Foods	-163	144	-21	94	9	7	-27	-73	-120	-104	
Restaurant Brands	61	66	67	131	116	67	72	15	6	80	

Source: Companies, Anand Rathi Research

\*Note: Positive changes of more than 150bps in green

The prices of most commodities (barring Coffee) have been softening over the past 6-month and 1-year basis. The price of polypropylene, palm oil, crude oil, wheat and HDPE have fallen 10-18% over the last 1 year. Tea and titanium dioxide saw 9-15% fall over the last 6 months. Packaging inputs and palm oil prices remain deflationary over the last 1-3 months. Thus, the price hikes in prior quarters (H2 FY25/Q1 FY26), GST rate cut on certain inputs and soft input prices augur well for gross margin in the coming quarters. In discretionary space, we expect AlcoBev to benefit from consistent premiumisation and softer glass bottle prices (boosting EBITDA margin), while the paint companies are expected to see gross margin gain on softer RM prices, while EBITDA margin gain could be capped due to keen competition and an adverse sales mix. We are optimistic of SSSG recovery in H2 FY26 for the QSR players, which could aid their margin expansion.

**Fig 9 – Major Input Materials and their Price Changes**

Inputs	Units	Price / Index	Change (%)					Companies impacted		
			1-mth	3-mth	6-mth	1-yr	2-yr			
Wheat	Rs /quintal	2745.0	(0.4)	(1.3)	2.5	(10.3)	6.1	ITC, Britannia, Nestle, Adani Wilmar		
Palm oil	\$ /lb	4456.0	(6.0)	(7.1)	6.9	(17.7)	9.4	Godrej Cons., HUL, Britannia, Prataap Snks, Bikaji		
Soda ash	Rs /50kg	1625.0	1.6	0.0	(2.4)	(8.2)	(12.9)	HUL, Jyothy Labs		
Sugar	Rs /quintal	3161.0	0.0	(1.0)	(0.5)	6.5	0.0	Britannia, ITC, Nestle, HUL, Zydus Wellness		
TiO2	Rs /kg	325.0	5.2	(6.2)	(9.0)	(9.8)	(13.6)	Paints companies		
Caustic soda	Rs /50kg	2525.0	0.0	0.0	(1.9)	4.1	31.9	All FMCG		
Mentha oil	Rs /kg	1019.1	0.7	(0.1)	2.4	2.9	(6.9)	Emami, Colgate		
Polypropylene	Rs /tonne	910.0	(5.3)	(11.0)	(13.8)	(17.3)	(12.9)	All FMCG		
Milk powder	Index	168.1	(1.3)	(1.7)	(2.3)	(1.1)	(4.2)	Nestle, Zydus Wellness, HUL, Britannia		
Barley	Rs /quintal	2355.0	0.0	0.0	1.3	(6.4)	24.6	United Breweries, HUL		
Crude oil	\$ /bbl	66.1	4.8	(4.4)	(2.2)	(12.2)	(22.4)	All FMCG		
Tea	Rs /kg	315.0	1.6	1.6	(14.7)	(4.5)	45.5	Tata Consumer, HUL		
Coffee	\$ /lb	356.2	1.8	13.6	7.5	44.6	136.6	Nestle, HUL, Tata Consumer		
LAB	\$ /tonne	1650.0	0.3	0.0	0.9	2.8	(0.9)	HUL, Jyothy Labs		
HDPE	\$ / tonne	940.0	(3.3)	(5.3)	(5.3)	(10.1)	(9.2)	All FMCG		

Source: Bloomberg, Anand Rathi research

## Raw Material Price Trend

**Fig 10 – Sugar prices up 7% in last 1 years**



**Fig 11 – Tea prices fall 15% in last 6 month**



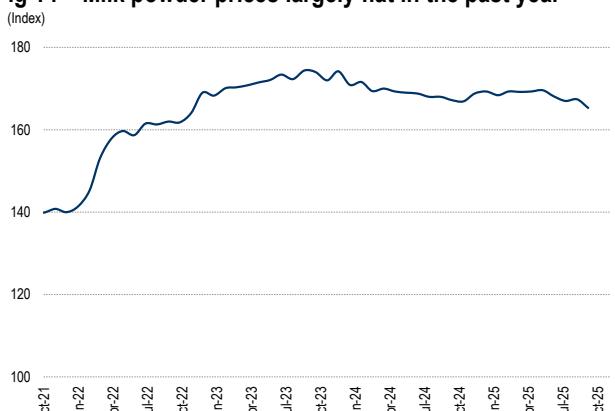
**Fig 12 – Coffee prices up 45% in the past year**



**Fig 13 – Barley prices range bound in last one year**

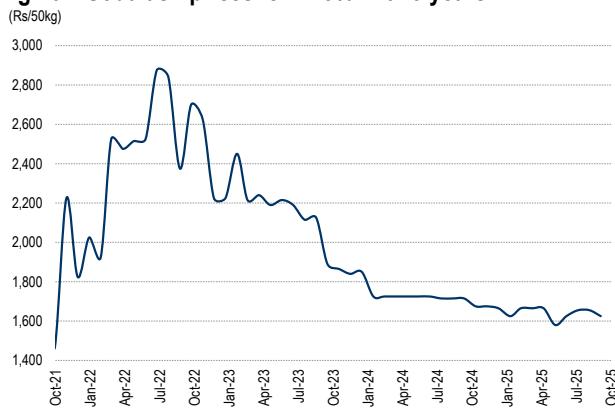
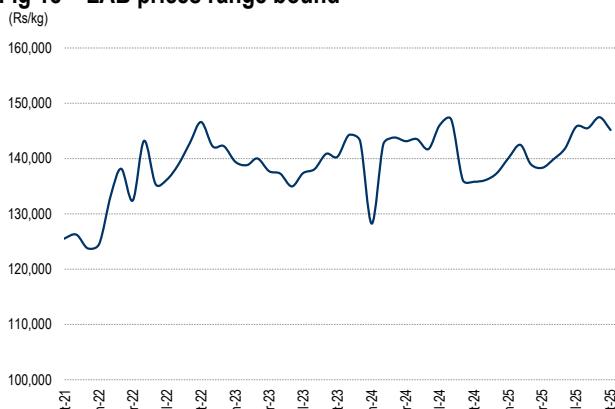
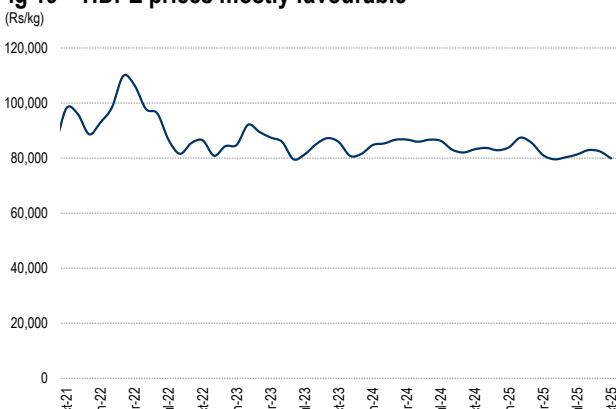
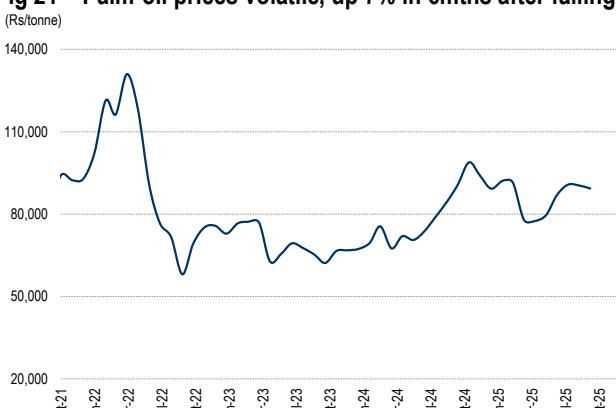


**Fig 14 – Milk powder prices largely flat in the past year**



**Fig 15 – Wheat prices up 6% in the past two years**



**Fig 16 – Soda ash prices fell ~13% in two years****Fig 17 – Crude oil price dropped ~12% in one year****Fig 18 – LAB prices range bound****Fig 19 – HDPE prices mostly favourable****Fig 20 – Polypropylene price down 17% in past 1-years****Fig 21 – Palm-oil prices volatile, up 7% in 6mths after falling**

**Fig 22 – TiO2 prices seen soft (down ~10% in one year)**

Source: Bloomberg, Anand Rathi Research

**Fig 23 – Mentha oil prices rises in recent month**

Source: Bloomberg, Anand Rathi Research

## EBITDA Margin Analysis

### A&SP spending down on margin pressure

For eight FMCG companies A&SP spends rose 6% y/y (or up 20bps in percentage to sales) in Q2 FY26. Notably, A&SP spending rose 24% in FY24 owing to higher competition (from small companies due to steep fall in input cost) and launches. However, it fell 3% in FY25, as the companies pulled back A&SP spending from Q3 FY25 due to higher input cost and slower urban growth. While A&SP spending remain muted for most large players, we expect it to revive (as percent of net sales) in the coming quarters, as gross margin pressures ease and demand revives (aided by GST rate cut).

**Fig 24 – Trend in A&SP Spending**

(%)	FY22	FY23	FY24	FY25	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
<b>Staples</b>											
HUL	9.2	8.1	10.5	9.8	10.7	10.7	9.4	9.5	9.6	9.8	9.8
Colgate	12.6	12.1	13.4	13.6	11.3	13.3	15.0	13.7	12.3	13.1	14.8
Dabur	7.2	5.6	6.9	6.9	6.5	7.0	7.5	6.8	6.2	5.9	7.3
GCPL	8.1	9.0	11.8	9.5	9.0	9.9	9.9	9.7	8.6	8.6	9.8
Marico	8.4	8.7	9.9	10.4	9.9	9.1	10.9	10.5	11.2	9.2	9.9
Emami	16.1	16.6	18.5	18.2	20.2	20.3	16.4	16.7	19.6	19.9	19.6
Jyothy Labs	7.4	7.0	8.3	8.4	9.1	8.3	8.3	9.0	8.0	7.8	8.4
Zydus Wellness	13.0	14.5	15.8	13.1	12.0	14.8	12.9	12.7	11.8	15.4	14.4
<b>Discretionaries</b>											
United Spirits	7.5	9.0	9.9	9.4	11.8	6.3	9.1	11.1	12	7.9	7.6

Source: Companies, Anand Rathi Research

**Fig 25 – A&SP Expenditure Changes**

(bps)	FY22	FY23	FY24	FY25	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
<b>Staples</b>											
HUL	-88	-112	240	-69	201	94	-182	-97	-112	-95	36
Colgate	-30	-50	130	20	75	-40	99	-95	101	-16	-18
Dabur	-110	-165	135	4	86	52	69	-76	-29	-111	-13
GCP	-90	90	280	-227	188	64	-23	29	-43	-136	-10
Marico	-33	33	120	55	55	52	6	33	125	9	-98
Emami	20	50	190	-28	471	188	-149	11	-61	-39	322
Jyothy Labs	90	-40	130	10	161	96	48	8	-105	-47	3
Zydus Wellness	-70	150	130	-272	270	-9	134	43	-22	61	151
<b>Discretionaries</b>											
United Spirits	10	150	90	-54	-184	82	64	15	18	154	-144

Source: Companies, Anand Rathi Research

\*Note: Positive changes of 150bps or more in green

EBITDA margin of 12 FMCG companies (ex-ITC) slid 110bps in Q2 (on 10bps gross margin fall), on higher brand spends and other expenses. Discretionary segment saw 100bp margin gain for six companies, aided by margin jump seen by United Spirits, Asian Paints and Radico Khaitan, driven by fall in input cost for paint manufacturers and premiumisation benefit for AlcoBev players. QSR players saw continued margin pressure on subdued SSSG growth.

For seven FMCG companies, we expect EBITDA margin to decline 30bps in FY26. In discretionary space, AlcoBev players are likely to see 100bp expansion in EBITDA margin, aided by premiumisation and softer input cost (lower grain and glass prices). After 270bps fall in FY25, EBITDA margin of paint manufacturers is likely to rise by 40bps in FY26, aided by gross margin expansion despite keener competition.

**Fig 26 – EBITDA Margin Trend**

(%)	FY22	FY23	FY24	FY25	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
<b>Staples</b>											
HUL	24.5	23.4	23.7	23.5	23.1	23.5	23.5	23.2	22.8	22.3	22.9
Colgate	30.7	29.6	33.5	32.4	35.7	34.0	30.7	31.1	34.1	31.6	30.6
ITC	33.5	36.3	37.4	34.6	37.2	37.0	32.8	34.2	34.7	31.7	34.7
Dabur	20.7	18.7	19.3	18.4	16.6	19.6	18.2	20.3	15.1	19.6	18.4
GCPL	19.6	18.3	21.0	20.9	23.0	21.7	20.7	20.1	21.1	19.0	19.2
Marico	17.6	18.5	21.0	19.7	19.4	23.7	19.6	19.1	16.8	20.1	16.1
Britannia	15.6	17.4	18.9	18.3	19.4	17.7	16.8	18.4	18.2	16.4	19.7
Emami	29.9	25.3	26.5	26.9	23.7	23.9	28.1	32.3	22.8	23.7	22.4
Bajaj Consumer	19.8	14.7	15.8	13.2	14.5	14.9	14.0	11.2	12.8	15.2	18.0
Jyothy Labs	11.3	12.8	17.4	17.5	16.4	18.0	18.9	16.4	16.8	16.5	16.1
Zydus Wellness	17.2	15.0	13.2	14.0	20.7	18.5	4.0	3.2	20.8	18.1	3.5
Mrs Bector Foods	12.4	12.9	14.9	13.4	14.4	14.6	14.2	12.5	12.5	12.3	12.6
<b>Discretionaries</b>											
United Spirits	16.4	13.4	17.7	18.6	12.0	25.8	17.7	16.5	15.2	21.3	21.2
United Breweries	11.9	8.2	8.6	10.5	6.7	11.5	10.7	7.1	8.0	10.9	9.7
Radico Khaitan	13.8	11.2	12.2	13.9	11.4	13.1	14.6	14.2	13.6	15.4	15.9
Asian Paints	16.5	18.2	21.4	17.7	19.4	18.9	15.4	19.1	17.2	18.2	17.6
Berger Paints	15.2	14.1	16.6	16.1	13.9	16.9	15.6	15.9	15.8	16.5	12.5
Kansai Nerolac	10.2	10.8	13.2	12.6	10.8	16.3	11.5	13.4	10.2	14.9	11.3
Devyani International	22.8	21.9	18.3	17.0	16.6	18.3	16.3	16.9	16.6	15.1	14.1
Sapphire Foods	21.3	18.9	17.8	16.5	16.3	17.3	16.1	17.8	14.9	14.5	13.8
Restaurant Brands	9.6	11.5	13.5	14.5	12.5	12.7	14.2	15.7	15.3	12.3	13.6

Source: Companies, Anand Rathi Research

**Fig 27 – EBITDA Margin Changes**

(bps)	FY22	FY23	FY24	FY25	Q4 FY24	Q1 FY25	Q2 FY25	Q3 FY25	Q4 FY25	Q1 FY26	Q2 FY26
<b>Staples</b>											
HUL	-20	-110	30	-16	-19	26	-66	-14	-34	-117	-66
Colgate	-48	-111	140	-105	226	238	-206	-248	-166	-241	-9
ITC	-63	276	114	-280	-70	-245	-367	-239	-242	-547	186
Dabur	-25	-200	70	-95	128	24	-238	-19	-150	6	18
GCPL	-220	-135	275	-10	296	311	117	-565	-187	-278	-155
Marico	-213	94	246	-90	186	51	-48	-210	-263	-359	-351
Britannia	-353	179	153	-58	-56	56	-290	-89	-118	-135	294
Emami	-84	-452	117	38	-23	88	111	67	-89	-20	-577
Bajaj Consumer	-640	-220	180	-256	-224	-281	-166	-388	-171	29	407
Jyothy Labs	-520	144	210	14	163	90	38	-108	36	-150	-281
Zydus Wellness	-145	-205	-171	78	45	187	16	5	8	-39	-44
Mrs Bector Foods	-362	47	207	-151	49	-91	-140	-179	-197	-226	-163
<b>Discretionaries</b>											
United Spirits	345	-320	429	91	259	-92	138	34	318	-451	337
United Breweries	295	-372	38	196	366	172	98	-93	134	-68	-102
Radico Khaitan	-315	-260	110	168	187	58	151	191	226	230	129
Asian Paints	-586	164	322	-365	-185	-422	-480	-344	-219	-70	218
Berger Paints	-221	-112	250	-54	-117	-148	-147	-80	190	-39	-319
Kansai Nerolac	-680	60	240	-59	128	19	-309	18	-56	-136	-21
Devyani International	NA	-99	-351	-133	-345	-220	-312	-41	-4	-318	-215
Sapphire Foods	NA	-243	-113	-124	-121	-127	-181	-54	-136	-276	-235
Restaurant Brands	NA	194	202	98	96	126	23	-22	275	-41	-57

Source: Companies, Anand Rathi Research

\*Note: Positive changes of 150bps and more in green

## Management Commentaries

### Hindustan Unilever (HUL)

- On MAT basis, FMCG demand remained stable with contribution of both rural and urban markets. However, short-term disruption was seen in Q2 FY26, led by GST transition, prolonged monsoon and pantry-loading delays. Despite this, it expects gradual demand recovery from early Nov'25, aided by GST-led disposable income gains and lower food inflation.
- HUL delivered a competitive performance, recording gains in turnover-weighted market shares across categories. Home Care volume grew in mid-single digit, Skin Care, Tea and Coffee saw high-single digit growth, while premium soaps saw double-digit growth. As per the management, HUL holds top position (No. 1 market share) in 85% of its business.
- Margin guidance is retained at 22-23% with an expected 50-60bps uplift post Ice-Cream demerger from Q3.

### Dabur

- Domestic demand improved sequentially despite GST-led disruptions, unseasonal rains and delayed winter loading. Rural consumption continued to outpace urban, aided by good monsoon, improving macros, strong agri output and favourable shift towards branded players post GST cuts.
- Dabur reported market-share gains across 95% of its portfolio, led by strong performance in Oral Care, Home Care and Hair Oils. Hair Oils gained 232bps, Odonil gained 127bps, Nectars gained 115bps, Activ juices gained 1,000bps, and Toothpaste expanded share by 60bps, with Red and Meswak driving growth.
- The company expects mid- to high-single-digit revenue growth in H2 FY26, backed by low- to mid-single-digit volume growth, owing to winter season, GST-driven demand tailwinds and improved macros. It expects full-year margin to grow ahead of sales, aided by price hike, cost saving and favourable mix.

### Godrej Consumer Products (GCPL)

- Despite GST-led trade disruptions and a weak soap season, underlying India volume (ex-soaps) continued to grow in double digit, aided by resilient demand across Home Care and new launches. Soaps dragged overall growth due to destocking, but the management expects a sharp rebound with pipeline normalisation in Q3 FY26.
- Household insecticides remained robust, with electrics posting double-digit volume growth and gaining significant market share due to new formulation. Incense sticks continued to grow by a strong ~100%, where GCPL is now market leader. Soaps also continued to gain volume share despite short-term GST-related volatility.
- Domestic EBITDA margin is expected to return to normative 24-26% level in H2 FY26, aided by stable palm oil, cost savings, media efficiencies, and improved operating leverage, as GST destocking fades. Consolidated EBITDA will grow in FY26, albeit slightly below original double-digit guidance due to pressure in Indonesia and LatAm. Margin is expected to be meaningfully better in H2 FY26.

### **Marico**

- Underlying demand remained steady except for a brief GST disruption. Volume grew 7% in Q2 FY26, aided by easing inflation, good monsoons and strong traction in Q-comm.
- Over 95% of its portfolio either held or gained share in Q2 FY26. VAHO gained ~150bps, while parachute sustained share despite price hikes. Competition remains high at mass end, while Marico has shifted focus towards premiumisation.
- Management targets ~25% revenue growth in FY26 and expects double-digit EBITDA growth in H2 FY26, aided by softer copra and >200bps improvement in operating margin FY27.

### **Tata Consumer Products (TCPL)**

- India branded business delivered 14% UVG, with both tea and salt growing by double-digit in value and volume. Growth businesses continued to scale well despite brief GST-related disruptions towards the quarter-end.
- Tea market share saw a reported dip due to Nielsen's limited coverage, though internal tracking shows strong gains in E-com, Q-comm and modern trade, which together contributed ~37% to its business. Salt market share remained broadly stable in Q2 FY26, with >100bps share gain.
- In tea, the company maintains competitiveness by operating within a 34-36% gross margin band to protect market share amid aggressive pricing trends and regional competition. Strong leadership in E-com and Q-comm helps offset general trade distortions.
- Tea margin normalised to 34-36% level, while consolidated margin should continue to recover towards ~15% by Q4 FY26, aided by softer tea prices and steady India profitability. Coffee volatility remains the only margin headwind internationally.

### **Britannia Industries**

- With the rural demand outpacing the urban, the management indicates that rural markets are showing stronger recovery, aided by better GST compliance, improved mobility and targeted distribution initiatives. While urban demand remained stable, it grew at a slower pace than rural.
- 85% of the company's portfolio impacted by GST 5% rate cut; temporary de-stocking. Pricing grew 7-8% in Q2 FY26. Going forward, pricing impact reduces due to higher grammage in small packs and price drops in large packs.
- It sustained healthy gap vs. national organised players. It saw slight share pressure from regional/local competitors.
- The management expects margin to remain stable, aided by benign commodity cost (flour, palm oil, sugar and cocoa), sustained cost efficiencies and better operating leverage.

## Discretionaries

### United Spirits

- The company sees early signs of demand recovery with normal monsoons aiding rural sentiment and GST reforms supporting urban spending. P&A returned to double-digit growth in Q2 FY26 and H1 FY26, though Maharashtra remains a drag due to steep excise hikes.
- A sharp ~35% price hike was taken in Maharashtra, leading to ~10-15% volume decline, while consumer spending still grew 18-25%. Overall pricing improved 1.6% in H1 (2.4% in P&A), and excluding AP, price/mix was significantly stronger (3.2% overall; 4.9% P&A).
- The company maintained momentum in AP and several other key states, while declining less than industry in Maharashtra due to re-engineered value chain. Premiumisation continues with strong traction in Godawan, Smirnoff flavours, and upper-prestige brands.
- It remains cautiously optimistic for H2 amid Maharashtra headwinds and high base in AP. It aims to grow EBIT slightly ahead of revenue. Medium-term mid-to-high-teens EBITDA margin guidance is retained.

### United Breweries

- Beer demand was muted due to a prolonged monsoon, leading to 3.4% volume decline in Q2 FY26, albeit volume grew 4.3% y/y in H1 FY26. However, UBL outperformed the market with ~100bps share gain and strong momentum in Maharashtra, AP, TN and Goa.
- Premium segment remained the key growth driver, with volume up 17% y/y in Q2 FY26 and 33% in H1 FY26, led by Kingfisher Ultra, Amstel Grande and Heineken Silver. Premiumisation supported mix despite weakness in Northern and Eastern markets.
- Margin remained under pressure, as gross margin fell 104bps y/y to 42.8%, due to inter-state transfers, contract brewing, can shortages and higher overheads. The management is converting fixed cost to variable and closing Mangalore brewery to improve efficiency.
- It expects gradual demand recovery in H2 FY26 and remains optimistic of medium-term margin improvement, driven by improved premium-mix, capacity optimisation and sustained investment on brands.

### Radico Khaitan

- It sustained strong momentum in Q2 FY26 with IMFL volume up 38% y/y, led by broad-based traction and continued premiumisation. P&A volume grew 22% and regular category rebounded sharply (>80%), aided by AP route-to-market changes.
- Premium brands (Magic Moments, After Dark, Royal Ranthambore, and luxury portfolio) delivered robust growth with Radico gaining ~200bps industry share and emerging as the leading player in AP (~30% share).
- EBITDA margin expanded 130bps y/y to 15.8%, aided by stable ENA and grain prices, improved operating leverage and better premium-mix. The management reiterated guidance of 150bps margin expansion in FY26 and a path to late-teen margins by FY28.
- With Sitapur distillery fully stabilised and no major capex required for the next 5-6 years, strong cash generation will drive further deleveraging. The management expects to be almost debt-free by FY27.

### **Asian Paints**

- Industry demand remained muted in H1 FY26, due to prolonged monsoons, but improvement was seen in Q2 FY26 with 11% volume growth, driven by strong Sep-Oct momentum and broad-based pick-up across urban and rural markets. Interior paints outperformed, as exterior work was impacted by rains.
- New products contributed >15% to total revenue, aided by strong traction in Prelux emulsions, waterproofing launches and region-specific marketing initiatives to strengthen brand visibility and market penetration.
- Gross margin expanded 240bps y/y to 43.7%, aided by formulation efficiency and benign RM trends. The company maintained its steady 18-20% EBITDA margin guidance despite higher competitive intensity.
- The management expects double-digit volume growth in H2 FY26, driven by festivities, favourable weather, and ongoing innovation/brand investments, while backward integration projects (white cement, VAM-VAE) enhance long-term cost stability and differentiation.

### **Berger Paints**

- Demand was impacted in Q2 FY26 by excessive rains and an adverse product-mix, widening the value-volume gap, but decorative volume grew in high single digit. The management expects double-digit volume growth in Nov-Dec and recovery in H2 FY26.
- Retail expansion remains strong with >1,600 outlets and >5,500 tinting machines installed (on track for 10k in FY26), aided by higher ad spends and increased urban manpower to drive medium-term market share.
- Gross margin remained steady at 41.6% despite weather-led deterioration in mix, while operating margin fell to 12.5%. Retaining its 15-17% EBITDA margin guidance, the management expects improvement in H2 FY26, led by benign RM cost and mix recovery.

### **Kansai Nerolac**

- Decorative volume was slightly negative in Q2 FY26, with urban demand outperforming the rural markets. Eastern and Western markets led growth, while the Northern markets were impacted by extended monsoon. Outperformance of industrial coatings helped offset softness in decorative segment.
- Despite elevated competitive intensity, dealer addition remained strong (>2,500 in H1) with stable incentives. Premium emulsions, construction chemicals and services continued to grow in double digit.
- Gross margin improved owing to lower crude cost. The management maintained its 13-14% EBITDA margin guidance for FY26, aided by benign input cost and expected demand recovery in H2 FY26.

## Valuations

Most FMCG stocks corrected by 5-10% in 3 months, after rising in prior 6-month period (barring Marico, Tata consumer which are flat to slight positive), impacted by weak H1 and margin pressure. Whilst GST rate cut transition, adverse summer, heavy rains and higher y/y base in few cases led to weaker growth in H1, most players are optimistic of growth recovery in H2, helped by GST rate cut, good monsoon and favourable y/y base.

We believe valuation of several FMCG companies looks attractive especially given expectation of stronger H2 growth. Out of our coverage universe (including discretionaries), we expect a ~9% revenue CAGR over FY25-28 driving a ~13% earnings CAGR (vs. 4% y/y revenue growth and 5% earnings decline in FY25).

We like **Godrej Consumer (Rs1,430)**, **Marico (Rs850)**, **Zydus Wellness (Rs599)** and **Mrs. Bector Food (Rs1,810)**. In consumer discretionaries space, we like **United Breweries (Rs2,420)** and **Sapphire Food (Rs 370)**.

**Fig 28 – Earnings Growth of the Companies in Our Coverage Universe**

Companies	Revenue (Rs m)				EBITDA margin (%)			PAT (Rs m)			
	FY26e	FY27e	FY28e	3yr CAGR (%)	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	3yr CAGR (%)
<b>Staples</b>											
HUL	675,262	732,479	788,596	7.70	23.5	24.0	24.3	113,007	125,617	137,580	9.9
GCPL	157,016	173,589	190,427	9.85	20.7	21.8	22.5	21,920	26,937	31,409	17.9
Dabur	136,265	147,544	159,056	8.18	19.1	19.4	19.6	19,756	21,870	24,044	10.8
Marico	132,867	145,401	159,807	13.84	18.0	19.5	19.7	18,494	22,042	24,625	14.8
Emami	40,012	44,114	48,284	8.22	26.2	26.8	27.4	8,556	9,503	10,490	8.6
Zydus Wellness	40,069	53,269	60,042	30.38	14.9	16.9	17.9	4,176	5,951	6,745	25.5
Mrs Bector Foods	21,382	24,516	27,992	14.31	14.3	15.0	15.2	1,786	2,243	2,691	23.4
<b>Discretionary</b>											
Asian Paints	354,550	380,953	415,413	7.00	18.3	18.7	19.0	42,160	46,901	52,838	10.8
United Spirits	131,497	144,087	157,595	9.30	18.7	19.2	19.5	17,988	20,436	20,922	8.1
Berger Paints	121,157	132,788	144,871	7.86	15.9	16.4	16.7	11,853	13,768	15,703	11.1
United Breweries	99,976	113,362	125,728	12.14	11.3	12.4	13.4	6,716	8,779	10,864	32.4
Radico Khaitan	60,710	68,090	76,044	16.16	15.4	16.7	17.9	5,399	6,965	8,722	36.2
Kansai Nerolac	82,329	88,751	95,940	7.04	12.5	13.0	13.3	7,067	8,091	9,042	20.8
Devyani International	56,779	64,911	74,087	14.38	16.3	17.1	17.4	516	1,417	2,165	-420.5
Sapphire Foods	32,108	36,460	41,364	12.80	16.1	17.5	18.2	185	692	1,136	52.5
Restaurant Brand Asia	29,119	33,419	38,282	14.49	11.7	12.9	14.5	-1,854	-1,242	-516	-39.5

Source: Bloomberg, Anand Rathi Research

Note: All prices are as on 24<sup>th</sup> Nov 25

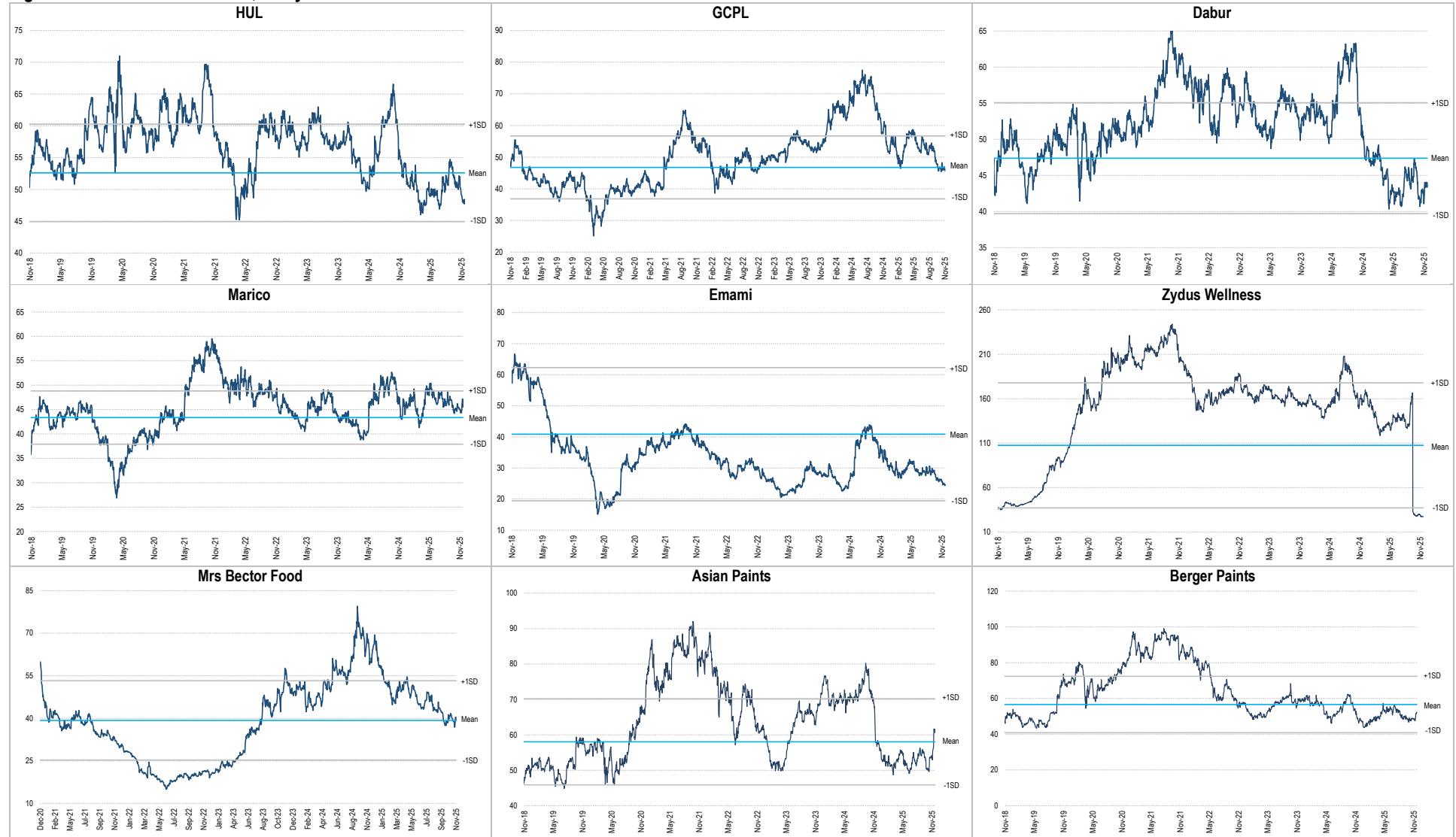
**Fig 29 – Valuation Parameters of the Companies in Our Coverage Universe**

Companies	CMP	M.Cap	EV	EPS (Rs)			PE (x)			EV / EBITDA (x)		
	Rs / sh	Rs bn	Rs bn	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e	FY26e	FY27e	FY28e
<b>Staples</b>												
HUL	2,422	5,683	5,656	48.1	53.5	58.5	50.4	45.3	41.4	35.6	32.2	29.5
GCPL	1,112	1,148	1,179	21.4	26.4	30.7	51.8	42.2	36.2	36.3	31.1	27.6
Dabur	512	909	915	11.1	12.3	13.6	46.0	41.5	37.8	35.1	32.0	29.3
Marico	736	951	953	14.3	17.1	19.1	51.3	43.1	38.5	39.9	33.6	30.3
Emami	507	221	220	19.6	21.8	24.0	25.9	23.3	21.1	21.0	18.6	16.6
Zydus Wellness	447	137	166	13.1	18.7	21.2	34.0	23.9	21.1	27.9	18.4	15.5
Mrs Bector Food	1282	79	78	29.1	36.6	43.9	44.0	35.0	29.2	25.5	21.3	18.3
<b>Discretionary</b>												
Asian Paints	2,878	2,768	2,794	44.0	48.9	55.1	65.5	58.9	52.2	43.0	39.3	35.5
United Spirits	1,431	1,032	1,023	24.8	28.1	31.6	57.7	50.9	45.3	41.6	37.0	33.3
Berger Paints	580	671	674	10.2	11.8	13.5	57.0	49.0	43.0	34.9	31.0	27.8
United Breweries	1,706	444	449	25.4	33.2	41.1	67.2	51.4	41.5	39.7	31.9	26.7
Radico Khaitan	3,256	440	445	40.5	52.2	65.4	80.4	62.4	49.8	47.7	39.1	32.7
Kansai Nerolac	232	186	186	8.7	10.0	11.2	26.5	23.2	20.7	18.1	16.2	14.6
Devyani International	139	171	203	0.42	1.15	1.76	330.5	120.4	78.8	21.9	18.2	15.7
Sapphire Foods	254	80	94	0.58	2.16	3.54	441.8	118.0	71.9	18.2	14.7	12.5
Restaurant Brand Asia	61	36	54	-3.19	-2.13	-0.89	-19.2	-28.7	-69.1	15.9	12.5	9.7

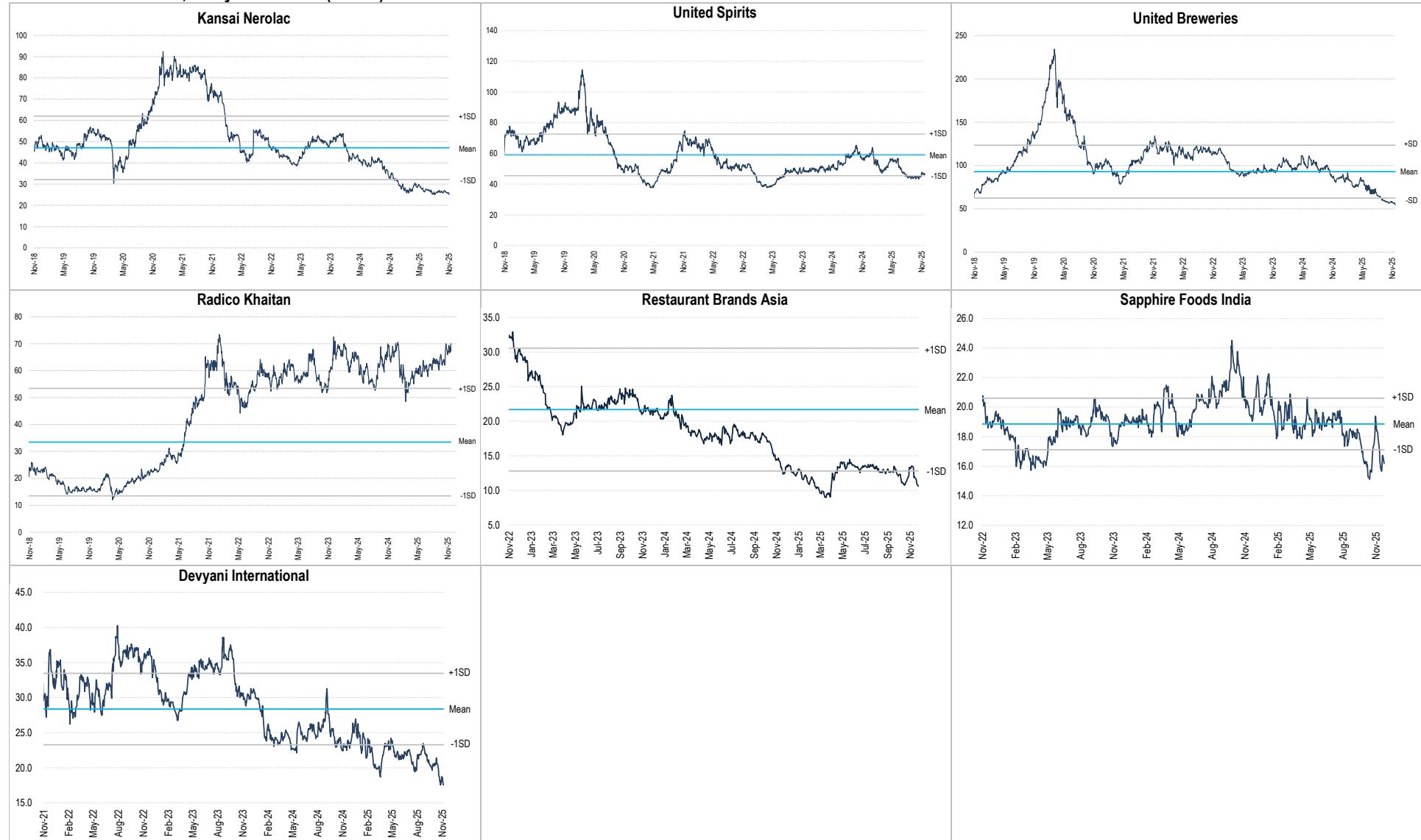
Source: Bloomberg, Anand Rathi Research

Note: All prices are as on 24<sup>th</sup> Nov 25

Fig 30 – P/E standard deviation, one year forward



## P/E standard deviation, one year forward (contd.)



Source: Bloomberg, Anand Rathi Research

## Appendix

### Analyst Certification

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