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Consumer Sector – August edition
Good times are back!

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- ✓ Urban demand – Worst likely behind for Staples *including in General Trade (GT)*
- ✓ FMCG sales growth at multi-quarter high; consumer inflation at 8-year low
- ✓ HUL's aggression – who gets impacted?
- ✓ Britannia likely to grow at double digits; regional competition in biscuits not a major concern
- ✓ Segmental analysis – Oral Care, Cigarettes, Fabric Care, Dishwash
- ✓ Mild positive pricing to continue for Staples in FY26; RM softening
- ✓ How did we fare? Hits and misses in Q1FY26
- ✓ What did companies say about raw materials and margins?
- ✓ Q1 ad spends saw tight control; gradual ramp-up likely
- ✓ Revenue, volume and margin trends

Summary, outlook and Top Picks

- **Top BUYs: Staples – HUL, Britannia, Bikaji, Nestle; Discretionary – United Breweries, Asian Paints**. Also like Dabur (recovery on a soft base).
- **GST rate cut's likely beneficiaries: Bikaji's 70% of business attracts a GST rate of 12%. Emami has ~60% of business at GST of 12%. Dabur's 24% of India business is at GST of 12%. Value-added Dairy (*ghee*, butter, cheese, flavoured milk) is currently under GST of 12%. Some/all of these could go down to 5%.**
- Cigarettes taxation: **We don't expect a sharp increase** on cigarettes, more of **bucket reclassification.**
- *Many Consumer companies have delivered* ***multi-quarter high revenue and volume growth****. **Urban demand has shown initial signs of recovery** on the back of inflation at an 8-year low, interest rate cuts, tax rebates including Urban GT.* ***Rural demand still stands robust on the back of freebies, strong monsoon.***
- *HUL's renewed aggression shall go up further under new MD Ms Priya Nair. RM basket has further cooled off, which gives HUL more firepower.* ***We expect HUL to achieve volume growth of 6–7% in Q3FY26; potentially a bit negative for soaps and Tea competition in the near term.***
- ***Britannia's Q1FY26 revenue growth at ~10% is a 9-quarter high,*** **and we expect this to further accelerate to double-digit** revenue growth in the near term.
- In Oral Care, Dabur led the category, followed by HUL. **We expect both Dabur and HUL to grow faster than Colgate in Q2FY26 as well.**
- **In Q1, in soaps, HUL has grown faster than Godrej Consumer, and we expect the trend to continue in Q2.** In our view, Godrej Consumer soap volumes declined 10–11% YoY, largely due to grammage cuts. HUL, on other hand, faced a volume decline of ~5% YoY, that too because of grammage cuts.
- **In Household Insecticides (HI), Godrej Consumer remains the clear winner (aided by its new formulation RNF)** as it has seen high-single digit volume growth and double-digit revenue growth, contrary to Jyothy Labs, which suffered a revenue decline of ~10% YoY.
- ITC's cigarette volume rose 6.5% YoY while Godfrey Phillips's grew 27.1% YoY. ITC has a market share of ~75%. Elevated leaf tobacco costs pressured margins for cigarette players and that **has cooled off, boding well for margins gradually.**
- Summer portfolio (such as beverages, cooling hair oils, ice cream and talcum powder) across companies was muted in Q1FY26 due to the impact of unseasonal rains in India, bringing down temperatures. **Q2 too is seeing high rains, which is a deterrent for summer products.**
- *EBITDA growth lagged as companies contended with high volatility and prices of RM. RM has cooled off in most cases since then. However, RM correction benefits shall flow Q2 onwards. PFAD benefits to soap players shall flow through with a lag effect in H2FY26.*
- *Coffee prices have cooled off ~30%, palm oil has corrected 15%, tea prices have seen some moderation.* **In our view, margin pressure has likely bottomed out in Q1, and we shall see margin expansion for many from Q2 onwards. Marico, Godrej Consumer and Tata Consumer likely to see margin recovery in H2FY26.**

GST cuts – A boost for mid-end and lower-end of consumption

Implications

- ***Bikaji: 70% of business is at GST rate of 12% (Ethnic Snacks such as Namkeen, Bhujia, etc).*** Packaged sweets (14% of business) is taxed at 5% and Papad (6% of the business) is taxed at 0%.
- **Emami ~60% of business is at GST of 12% —** Boroplus (ex-Talc), Navratna, Zandu and Kesh King.
- **Dabur ~24% of India business is at GST of 12% –** Hajmola, Lal Tail, Pudin hara, Ethicals and Juice business (non carbonated). Chyawanprash and Honey are already at 5%.
- Value-added Dairy (*ghee*, butter, cheese, flavoured milk) attract GST of 12%. Ice cream and milk shakes fall under GST of 18%, and no change is expected.
- **Most other FMCG/Paints are already at 18%, so status quo is likely.**

Cigarettes: W*e do not expect a sharp increase on cigarettes, more of bucket reclassification given government has been focusing on reducing the share of illegal cigarettes' players for past many years.*

Reduction in GST rates would increase disposable income and boost consumption before Diwali.

• 12% slab removal – most items to move to 5%; 28% slab removal – most items to move to 18%.

• 40% slab for sin goods likely—we don't expect a sharp increase on cigarettes.

• **Yet to be approved by the GST Council; needs to be monitored.**

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Urban demand – Worst behind for Staples

Urban demand is showing early revival with a sequential recovery across categories driven by easing inflation, better sentiment, strong monsoon and early festive stocking alongside green shoots in discretionary segments.

Some FMCG players are seeing early signs of GT revival on the back of focused efforts and urban demand recovery. Marico's GT revival is driven by Project SETU and focused initiatives along with strengthening execution on the back of expansion into specialty foods, cosmetics and chemist outlets. **Britannia reported high single-digit urban growth across GT, MT and e-commerce.**

Particulars	Comments
Dabur	Urban markets saw sequential recovery over the previous quarter.
Asian Paints	Noted the emergence of green shoots in urban areas, signalling revival from earlier weakness. Expects this recovery trend to continue, with improving sentiment in the urban segment.
Marico	Stable to improving demand trends across both urban and rural India.
Berger Paints	Gradual improvement in demand, with early momentum evident in urban markets.
ITC	Early signs of recovery in urban consumption demand during the quarter, while rural demand remained resilient.
Pidilite	Rural markets continued to outpace urban demand.
Britannia	Both urban and rural markets registered growth, with rural up in double digits and urban growing in high single digits.
HUL	Urban demand is showing sequential improvement. Demand is coming from small cities and E-com especially Q-Com. Still, rural is growing ahead of urban growth.
Bikaji Foods	Initial signs of recovery in urban demand, consumers are generally downsizing, with smaller packs seeing faster growth.

Source: Nuvama Research

Top-line growth hitting multi-quarter highs

Q1FY26 earnings season marks a broad-based revenue resurgence, with several companies delivering multi-year highs.

- Hindustan Unilever posted its strongest ***revenue growth in 7 quarters***, signaling a firm recovery in demand.
- Marico's India business recorded a ***16-quarter high in both revenue and volume growth;*** international business at a 14-quarter high.
- Both Pidilite and ITC delivered their highest revenue growth in ***11 quarters***.
- Britannia's ~10% revenue growth was ***highest in 9 quarters***.
- Godrej Consumer registered its best revenue growth in ***8 quarters***, and Nestlé hit a ***5-quarter*** high.
- United Breweries also reported strong top line at a ***5-quarter high.***

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HUL gets aggressive under new MD Priya Nair

- **Under its new MD Ms Priya Nair, HUL is well positioned for an aggressive comeback via premium market expansion and innovation to drive volume growth.**
- ***We expect HUL to accelerate volume growth; potentially a bit negative for soaps and tea competition in the near term.*** We expect HUL to continue to achieve volume growth of 6–7% in Q3FY26 (Q1FY26: 4%; Q4FY25: 2%).
- In a recent development, HUL rolled out aggressive advertising campaigns supported by attractive promotions featuring in newspapers.
- The company has partnered with Reliance Retail—leveraging Smart Bazaar's extensive physical presence and JioMart's strong position in quick commerce.
- This move reflects the broader trend of physical retailers and e-commerce players collaborating more closely with large, established FMCG companies.
- Being the market leader in Tea allows HUL to be more aggressive in terms of marketing and branding—hence this could be slightly negative for Tata Consumer.
- Plus, HUL's new formulation in soap requires less PFAD, making it more affordable for consumers. Given HUL is a strong number one in soaps, and with new formulation, we expect HUL to continue to grow faster in Q2FY26 than Godrej in soaps (In Q1FY26, HUL's volumes outgrew Godrej's by 5–6%).
- In Coffee (a duopoly), Nestle is slightly larger player than HUL; hence we do not expect any significant impact of HUL's aggression on Nestle. Both players shall continue to do well in premium coffee.
- HUL had earlier lowered EBITDA guidance to 22–23% (earlier 23–24%), but given recent correction in the commodities basket (coffee down 30% YoY; tea and PFAD—some correction from peak; crude prices benign), we expect HUL to leverage a benign RM basket to increase aggression to accelerate volume growth.

Britannia to maintain strong momentum

- **We expect revenue growth shall further accelerate (9.8% revenue growth in Q1). Most RMs are benign; hence we expect BRIT to accelerate EBITDA growth. If BRIT's stock price is stable, the SAR impact shall be low.**

- Britannia logged strong growth in five out of seven regions with the East region specifically facing a challenging quarter (primarily due to distribution system being restructured, but the company expects it to normalise soon).

- National biscuit players (Parle, ITC) have kept **competition rational** and there is **no instability in terms of pricing or trade margins**. However, Britannia had many "battles to fight in smaller territories" as **regional competition was on the rise**.

- In eastern states, **Jaya Biscuits** has seen penetration grow by about ~20% in the last one year on the back of an aggressive push of its INR10 packs into local stores.

- In northern states; **Priyagold, Anmol and Mario** biscuits too have pushed household penetration by ~15% in the last year on the back of higher grammage and promotional offers (Buy One Get One) and increasing affordable packs.

- *"We are doing specific analysis on each of these competitors. If there is a need to be competitive in certain territories, we will make sure that we do it. We are ready with a war chest to compete against these players at multiple levels," said the MD & CEO.*

How Q1FY26 panned out for listed Oral Care players

- Subdued urban demand and heightening competitive intensity led to Colgate reporting a very week quarter compared to its listed peers. On the other hand, HUL and Dabur clearly outperformed led by price-led growth and Rural doing well.

- That said, for all players, Rural continues to outpace Urban.

- **In our view, Colgate is likely see recovery H2FY26 onwards. Q2FY26 margins should be fine (result of base effect catch-up), but sales in Q2FY26 shall remain under slight pressure. We expect Dabur and HUL to grow faster than Colgate in the Oral Care business in Q2FY26.**

Oral Care	Q1FY26 growth %	Comments by respective players
Colgate	-4.2%	Colgate's revenue declined 4.2% YoY, with toothpaste volumes likely declining 2%. This was due to subdued urban demand (mass end weak due to down-trading, whereases premium grew well) and high base.
HUL	Likely 4-5%	HUL's oral care witnessed mid-single digit price-led growth delivered by Closeup. It launched a new formulation in Closeup giving up to 18 hours of freshness.
Dabur	7.3%	Dabur's oral care grew 7.3% YoY on a high base (up ~12% in Q1FY25). Dabur Red toothpastes (up 9% YoY) and Dabur Herbal franchise (Meswak up 5% YoY; Herbal up 30% YoY) and expects the strong growth momentum to continue in oral care. Initiatives such as anti-fluoride campaigns and new endorsements (e.g. Amitabh Bachchan) are supporting strong momentum in oral care.

Source: Nuvama Research

ITC versus Godfrey in Cigarettes

- **<u>Marlboro (part of Godfrey Phillips) continues to grow much faster than ITC and the industry due to higher trade commission and aggressive pricing.</u>**

- Philip Morris India's cigarette volumes shot up 41.9% YoY in Q1FY26. In its press release, the company mentioned that industry volumes in India's cigarettes market increased 10.5% YoY.

- Since Marlboro is just a part for Godfrey, and apart from this, it has several domestic-owned brands such as Four Square, Stellar, Red and White, Godfrey's India cigarette volumes growth was lower at 27.1% YoY in Q1FY26.

- ITC, however, is a much larger player with a dominant 75% market share. ITC Cigarettes reported volume growth of 6.5% YoY in Q1FY26, which was a positive surprise (versus Street's expectation of 4–5%) and is a step-up.

- On a 2Y and 3Y CAGR basis, ITC's cigarettes volumes have increased 5% and 6%, respectively.

	Q1FY24	Q2FY24	Q3FY24	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
ITC Cig vol YoY growth	8.0	4.0	-2.0	2.0	2.7	3.3	6.0	5.0	6.5
Godfrey Cig vol YoY growth	8.1	8.0	10.6	18.2	26.2	30.5	29.7	29.5	27.1
Industry growth (Philip Morris)	NA	NA	NA	NA	NA	NA	NA	8.7	10.5
Philip Morris India vol growth	NA	NA	NA	NA	NA	NA	51.2	47.4	41.9

Source: Nuvama Research

Fabric Care steady; Dishwash faces price pressure

Fabric Care delivered steady growth, with liquids emerging as a key driver through innovations and strong sequential gains despite margin pressure in some cases. Liquid detergents is currently the hyper growth segment with gains seen by all players.

Dishwash performance was healthy on the back of volumes, though competitive discounting weighed on value growth.

Particulars	HUL	Godrej Consumer	Jyothy Labs
Fabric care	4-5% volume growth YoY	~Double digit YoY sales growth	3.3% YoY sales growth
Liquid Detergent	Surf Excel Matic Express with pioneering technology designed for short wash cycles was launched	Liquid detergent 'Fab' continues to perform well.	Liquid detergent portfolio (More Light, Henko, Henko Matic, Ujala, and Mr. White) posted strong growth.
Dishwash	Household Care delivered double-digit UVG YoY. This was driven by broad-based performance across Dishwash and Liquids	Not present	Dishwash saw healthy volumes—Pril Liquid in mid-teens and Exo Bars in high single digits—but value growth was hit by deep discounting.

Source: Nuvama Research

Tough quarter for summer products

- **Summer portfolio (such as beverages, cooling hair oils, ice cream and talcum powder) across companies was muted in Q1FY26 due to the impact of unseasonal rains in India bringing down temperatures.**
- **Even Q2FY26 has seen high rains in many part of India, which is a deterrent for these products.**

Summer portfolio	Q1FY26 performance	Comments by respective players
Varun Beverages	India business Volume: -7.1% Value: -8.6%	India volumes declined due to a weak summer and high base. India pricing (realisation/case) was down 2% due to high sales of water.
Emami	Core business Volume: 3% Value: 1%	Talcum and prickly heat powder fell 17% YoY due to a high base (54% YoY growth in Q1FY25) and adverse weather conditions. Navratna and Dermicool range declined 5% YoY. Product challenges such as talc expected to drag Q2FY26 as well due to a high base.
Dabur	F&B business declined in mid teens	Glucose was hurt by unseasonal rains and high growth in base quarter (31% growth in Q1FY25). Similarly 'Real' portfolio also got impacted. In spite of headwinds during the quarter it performed better than the category and gained 207bp market share in the nectars category and 141bp in 100% Juices
Tata Consumer	RTD revenue down 13%	RTD revenue fell due to a weak summer and price corrections taken last year; its volume grew 3% YoY.
United Breweries	Revenue/volumes grew 16%/11%	Despite a weak summer, UBBL's market share improved 300bp with overall volumes up 11% YoY (an 11-quarter high).

Source: Nuvama Research

Mildly positive pricing to continue in FY26

Particulars	What companies are saying on pricing?
Staples	
Bikaji Foods	➢ Price hikes of 2.5% each in ethnic and western snacks.
Britannia	➢ Price hikes were taken to cover most inflation. ➢ However, there was some price disadvantage in select markets and categories post alternating inflationary and deflationary cycles for the industry. ➢ In cakes, there was increase in price point from INR10 to INR15.
Emami	➢ Aims 2-3% price growth for FY26.
Godrej Consumer	➢ Selective price cuts were taken in HI, particularly in Aerosols, to boost volumes. ➢ In hair colour, large packs clocked a 5% price cut. ➢ 5% price hike in Fabric Care in Q1FY26.
Marico	➢ Cumulative price hike of 60% in Parachute in Q1FY26. In Q2FY26, cumulative pricing will come down to 35-45% if no further price hikes happens. ➢ Anniversarization in base will happen from H2FY26 onwards wherein pricing growth will progressively come down.
Tata Consumer Products	➢ Pricing in Non-branded business is expected to stabilize. It remains well-hedged and anticipates one more quarter of pressure if current coffee prices remain where they are. ➢ Out of 250bp EBITDA margins compression - 160bp was attributed to tea cost while balance was to coffee cost. It has managed to pass 70% of price increases of tea into pricing for the consumer. ➢ Tea prices, currently remain favorable - As of the latest auction is about 13% to 15% below last year same time, and it does not expect it to trend lower as it goes to the full season. ➢ 15%+ price cuts in RTD portfolio.

Mildly positive pricing to continue in FY26

Particulars	What companies are saying on pricing?
Staples	
HUL	➢ Negative pricing in Home Care to match competition. Price hike were taken in Tea and Coffee. ➢ HUL expects gross margin shall improve sequentially driven by a favorable price-cost gap and a better mix. ➢ If commodities remain within the current range, price growth to be in a low single digit range. ➢ Coffee has seen 70–80% cumulative inflation. It did not price at peak of inflation, leading to short-term margin pressure. With input costs easing, value-price gap is expected to narrow. ➢ Tea pricing strategy is now based on replacement cost rather than peak inflation. With a healthy new crop, sequential pricing correction is expected.
Dabur	➢ 3-4% blended price hikes in Q1FY26.
Bajaj Consumer	➢ In Coconut Oil, price hikes were executed as per market index.
AWL Agri Business	➢ Palm oil sales, which were under pressure in Q1FY26, have started recovering following the recent correction in Palm prices. Palm oil prices are now below the prices of soya and sunflower oils. ➢ Raw-material prices in Q1FY26 were about 30% higher than the base quarter.
Nestle	➢ Price hike of 7% was taken in Maggi last quarter. This led to double-digit growth in Maggi in Q1FY26.
Colgate	➢ Colgate took price hikes (our sense is 3–4%), but given promotional intensity was a bit higher (4–5%) than last year, pricing growth for Q1FY26 contracted by 1–2%. ➢ It anticipates pricing to be back in H2FY26, supported by category dynamics and brand strength.

Price mix positive for Beer, flat for Spirits

In Q1FY26, price mix was positive for beer players given strong growth in the Premium end, product launches, Telangana price increase, while for Spirits it was flat.

Particulars	Price mix in Q1FY26	Comments
Alco-Bev		
United Spirits	FLAT	➢ Price/mix was flat overall during the quarter though ex-Andhra it was 2.3%. ➢ In Maharashtra, the price difference between popular and lower Prestige has significantly reduced, which should see an upgradation from the consumer. The price difference between lower prestige and mid prestige remains the same. ➢ In Maharashtra, UNSP has absorbed a significant hike in mid-prestige while at lower prestige and popular it passed it on.
United Breweries	5%	➢ Price increase of 5% in Q1FY26. UBBL is hoping to maintain it in 4-5% range. ➢ Positive price mix was due to price increases in Telangana, Uttar Pradesh (UP), Orissa and Rajasthan coupled with a favourable mix, mainly from premiumisation. ➢ In Telangana, there was a 5–6% category decline because of price reductions in the state.

Source: Nuvama Research

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Volume-value gap narrows for paints players

In Q1FY26, volume-value mix narrowed for most paints players due to the impact of prior price cuts easing up, benign input costs and improved demand sentiment sequentially.

Particulars	Volume/value gap	Comments
Paints and Adhesives		
Asian Paints	5.1%	➢ Management has guided to maintain the volume/value gap at current levels.
Berger Paints	3.6%	➢ Volume/value gap narrowed to 3.6% in Q1FY26 led by improved mix and waning impact of prior price cuts. ➢ Regional tailoring of product mix and pricing remains critical. It continues to align its pricing and products to regional preferences.
Indigo Paints	4.5%	➢ Gradual improvement likely in Q2FY26 following a strong recovery in July
Pidilite	0.6%	➢ Volume/value gap narrowed to 0.6% in Q1FY26 due to benign input costs. ➢ Pricing was +70bp in Q1FY26. The company expects it to continue in this range for FY26. It does not anticipates considerable price cuts while pricing would be increasingly tactical as input cost continues to remain soft.

Source: Nuvama Research

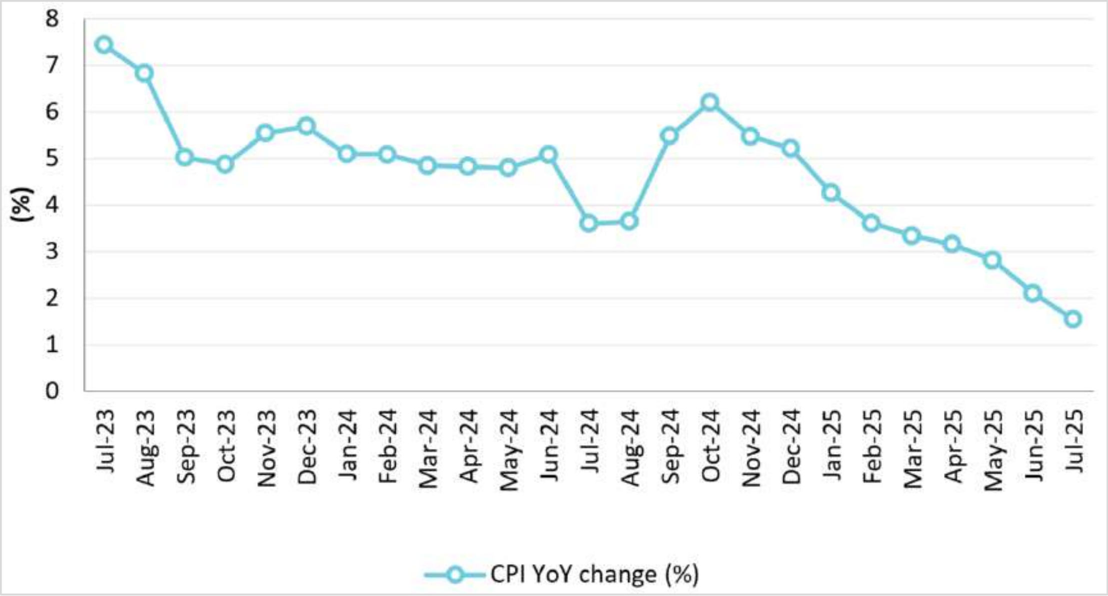
How did we fare? Hits and misses on our Q1FY26 estimates

	Actuals		Nuvama Estimates		Differences (%)	
(INR mn)	**Revenue**	**EBITDA**	**Revenue**	**EBITDA**	**Revenue**	**EBITDA**
Beats						
Emami	9,041	2,142	8,815	1,904	3	13
Pidilite	37,531	9,410	36,551	8,407	3	12
United Breweries	28,643	3,109	27,721	3,049	3	2
Varun Beverages	70,174	19,988	71,753	17,938	-2	11
ITC	1,97,499	62,613	1,79,450	63,705	10	-2
Bajaj Consumer Care	2,667	405	2,575	360	4	12
CCL Products	10,556	1,590	8,893	1,547	19	3
In line						
Asian Paints	89,386	16,250	86,917	16,080	3	1
Bikaji Foods	6,527	963	6,370	929	2	4
Dabur	34,046	6,678	34,203	6,464	0	3
Nestle	50,962	11,003	50,387	11,740	1	-5
United Spirits	25,490	4,150	24,943	4,116	2	1
Hindustan Unilever	1,65,140	37,180	1,64,055	36,912	1	1
Marico	32,590	6,550	32,363	6,505	1	1
Tata Consumer Products	47,789	6,069	49,415	6,350	-3	-4
Misses						
Britannia	46,222	7,571	46,223	8,462	0	-11
Godrej Consumer	36,619	6,946	37,047	7,595	-1	-9
Indigo Paints	3,089	443	3,271	512	-6	-13
Colgate	14,341	4,526	14,586	4,741	-2	-5
Berger Paints	32,008	5,284	32,765	5,603	-2	-6
AWL Agri Business	1,70,587	3,659	1,71,440	6,000	0	-39

Source: Nuvama Research

Consumer inflation at 8-year low

- In our Q4 review, we had highlighted that the cut in palm oil duties would help ease monthly consumer inflation. This and other factors played out in July with CPI growth cooling down to 1.55% YoY—the lowest in 8 years.
- Particularly, food inflation turned negative (-1.76% YoY) driven by the decline in vegetables and pulses.
- Vegetable inflation dropped to -20.7% in July from -19% in June while pulses and products' inflation stood at -13.8% in July as against -11.8% in June.
- Rural inflation is even better at 1.2% than Urban inflation at 2%, indicating rural demand is likely to stay strong.



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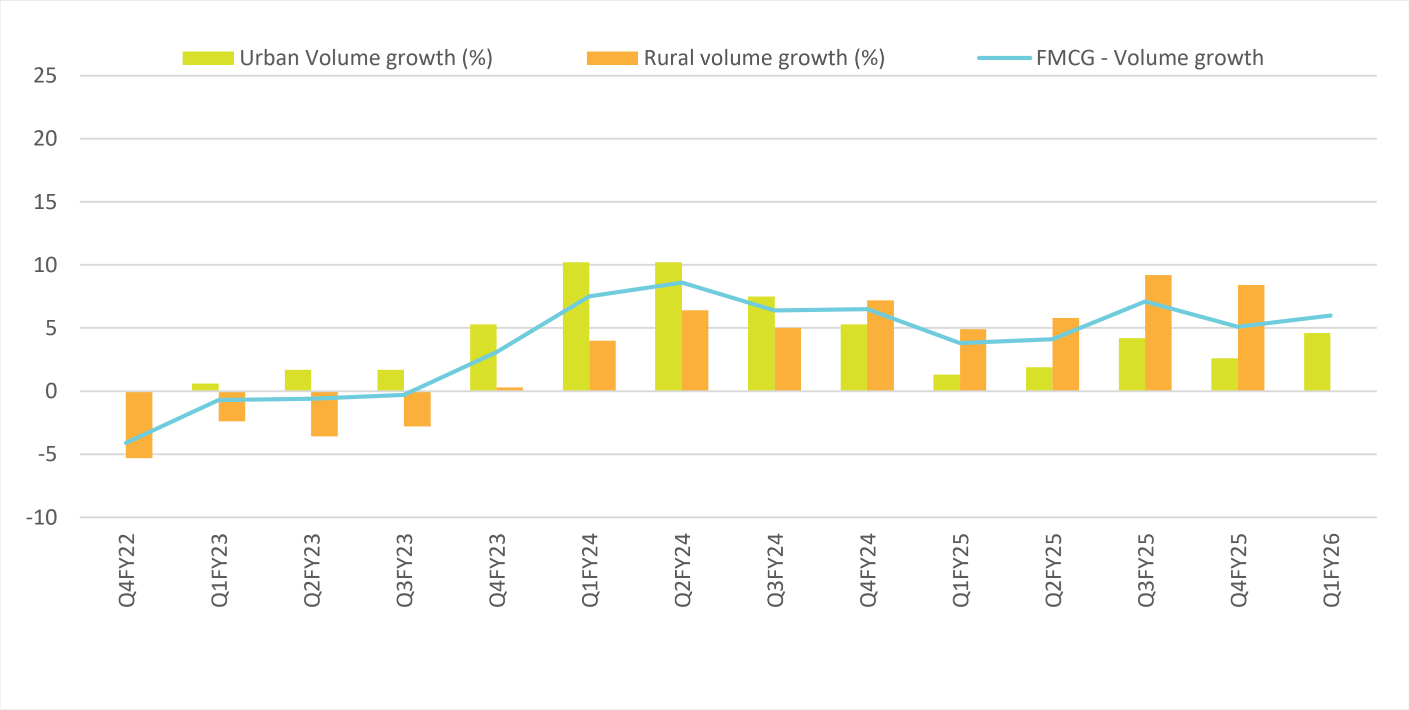
FMCG volumes – Rural continues to outpace

- According to Nielsen data, the consumer sector grew 13.9% YoY by value in Q1FY26 (versus 11% YoY in Q4FY25). However, pricing growth was 7.4% YoY while overall volumes expanded 6% YoY (versus 5.1% YoY in Q4FY25).
- For the six consecutive quarter, Rural has outperformed Urban. Volume growth in urban regions stands at 4.6% YoY while rural areas turned in growth of 8.4% YoY.
- Urban markets are now showing a resurgence, primarily driven by smaller towns, whereas metropolitan areas continue to experience a decline in consumption owing to channel shift.



Source: Nielsen

Revenue – YoY performance

- Most consumer staples saw healthy momentum with players such as CCL logging a revenue surge of 36% YoY on the back of strong volumes, mix and premium products.
- Marico's revenue jumped 23.3% YoY on multi-quarter high volume growth and recovery in VAHO.
- ITC's revenue grew 20.6% YoY, mainly led by growth in Agri, cigarettes and FMCG while AWL Agri's sales rose 20.4% YoY on higher edible oil realisations.
- In paints and adhesives, Pidilite continued to lead the pack on the back of strong traction in newer categories such as tile adhesives and its dominant position in waterproofing.
- Asian Paints underperformed due unseasonal rains and down-trading by consumers.
- In the Liquor space, United Breweries posted double-digit growth due to growth in premium sales; United Spirits' sales grew at a high single-digit.
- Varun Beverages was impacted by a weak summer season owing to an early monsoon, and Colgate faced headwinds from subdued urban demand.

Particulars	Value growth (%)
CCL Products	37
Marico	23
ITC - Overall	21
AWL Agri Business	20
United Breweries	16
Bikaji Foods International (Ex PLI)	15
Pidilite	11
Godrej Consumer	10
Tata consumer	10
United Spirits -P&A	9
Britannia	9
United Spirits -Overall	8
Bajaj Consumer Care	8
Nestle	6
ITC - FMCG	5
HUL	5
Berger Paints	4
Dabur	2
Emami	0
Asian Paints	0
Indigo Paints	-1
Varun Beverages - Overall	-3
Colgate	-4
Varun Beverages - Domestic	-9

Source: Nuvama Research

Revenue – 2-year CAGR performance

- Many consumer companies such as CCL Products, Bikaji (ex-PLI), AWL Agri and Marico reported double-digit revenue growth on a 2-year CAGR driven by strong volumes, pricing actions and softening input prices.
- Top performer: CCL Products clocked a 27% revenue CAGR on the back of pricing, a favourable product mix and increased focus on branded products.
- ITC (overall) grew 14% aided by strength in cigarettes, FMCG and Agri while Tata Consumer and United Breweries posted low double-digit growth.
- In Paints & Adhesives, Pidilite (7%) outperformed peers through innovation in tile adhesives and growth in waterproofing.
- Asian Paints (-1%) lagged due to an urban slowdown and discretionary demand softness.
- Other players such as Indigo (3%), Berger (3%) and HUL (3%) along with Godrej Consumer (3%) reported low single-digit growth, indicating muted sectoral momentum.
- Bajaj Consumer Care (-1%) recorded marginal declines over the 2-year period.

Revenue	2 Yr CAGR
CCL Products	27
Bikaji Foods (Ex PLI)	15
AWL Agri Business	15
Marico	15
ITC - Overall	14
Tata Consumer	13
United Breweries	12
Varun Beverages - Overall	12
United Spirits - P&A	10
United Spirits	8
Britannia	7
Pidilite	7
Varun Beverages- Domestic	7
ITC - FMCG	6
Emami	5
Nestle	5
Dabur	4
Colgate	4
Indigo Paints	3
Godrej Consumer	3
HUL	3
Berger Paints	3
Bajaj Consumer Care	-1
Asian Paints	-1

Source: Nuvama Research

Volume – YoY performance

- Among staples, CCL Products topped with volume growth of 10% YoY; this was followed by Marico at 9% and ITC – Cigarettes' business at 6.5%.
- Among Paints & Adhesives, Pidilite outperformed with 9.9% YoY volume growth (led by C&B business), followed by Berger at 6% YoY and Asian Paints at 3.9% YoY (affected by unseasonal rains and adverse mix).
- UBBL's premium-end clocked 46% growth YoY aided by premiumisation and price hikes across multiple states; overall volume grew 11% YoY despite a weak summer.
- United Spirits' P&A and overall volume stood at ~9% each led by strong performance in mid prestige and Andhra. However, ex-Andhra, P&A volume edged up 1% YoY.
- Colgate, Emami and Varun Beverages were among the laggards, reporting low-to-high single-digit decline, respectively.

Particulars	Volume growth (%)
United Breweries - Premium	46
United Breweries - Overall	11
CCL Products	~10
Pidilite- Overall	10
United Spirits - Overall	9
Pidilite - C&B Business	9
Marico	9
United Spirits -P&A	9
ITC - Cigarette	7
Bikaji Foods	6
Tata consumer - Foods	6
Berger Paints- Decorative	6
Godrej Consumer - Domestic	5
HUL	4
Asian Paints- Decorative Business	4
Nestle	3
Britannia	2
Tata consumer - Beverages	1
Bajaj Consumer Care	FLAT
Dabur - Domestic	-1
AWL Agri business -Edible Oils	-2
Colgate - Toothpaste	-2
Varun Beverages - Overall	-3
Emami - Domestic	-3
Indigo Paints - Emulsions	-5
Varun Beverages - Domestic	-7

Source: Nuvama Research

Volume – 2-year CAGR performance

- Most consumer names clocked mid-to-high single-digit volume growth on a 2-year CAGR basis driven by an improved mix, M&A and premiumisation.
- Among staples, Varun Beverages topped with 18% volume growth (India volumes grew 7%) aided by acquisitions and forays into new territories, followed by Bikaji Foods at 11% and Tata Consumer India Foods at 8%.
- Among Alco Bev, United Breweries topped with 8% volume growth driven by faster growth in Premium, closing portfolio gaps and state-specific favourable policies.
- United Spirits' P&A/overall volume increased 7%/6% driven by faster innovations, renovations and favourable tax polices of few states.
- Among Paints & Adhesives, Pidilite outperformed with 10% growth (led by faster growth in B2B), followed by Berger with 8% volume growth (led by higher growth in B2B business and favourable base), and Asian Paints at 5%.
- Dabur, Tata Consumer (India Beverages), Nestle and Bajaj Consumer were among the laggards reporting marginal volume growth (for Dabur) to even decline (for Nestle and Bajaj Consumer on a 2-year CAGR basis

Volume	2 Yr CAGR
CCL Products	13
Varun Beverages-Overall	12
Bikaji (Ex PLI)	11
Pidilite - Overall	10
Pidilite - C&B	9
Tata Consumer India Foods	8
United Breweries	8
Berger Paints	8
Godrej Consumer	8
United Spirits - P&A	7
Varun Beverages-Domestic	7
Marico	6
United Spirits	6
Asian Paints	5
Britannia	5
ITC - Cigarette	5
HUL	4
AWL Agri Business	3
Emami	3
Dabur	2
Tata consumer India Packaged beverages	2
Nestle	-2
Indigo Paints - Emulsions	-3
Bajaj Consumer Care	-3

Source: Nuvama Research

YoY performance – EBITDA margins and growth

- Overall EBITDA margins declined for most staple companies in Q1FY26 primarily due to higher COGS (key inputs such as tea, palm oil and coffee), staff costs and other expenses.
- Despite this, Pidilite and Varun Beverages EBITDA margins expanded. This was supported by A&P and an improved mix in case of PIDI and better operating efficiency in case of VBL.
- In contrast, within staples, higher RM costs led to margin compression at Tata Consumer, Marico, Colgate and ITC (overall as well as in FMCG).
- Among Alco-Bev players, EBITDA margins of United Spirits compressed sharply, i.e. 319bp YoY, while compression for UBBL was marginal at 68bp YoY.
- In staples, CCL Products/Bajaj Consumer logged EBITDA growth of 22%/11% YoY in Q1FY26.
- ITC (FMCG), Colgate and AWL Agri business lagged on EBITDA growth in Q1FY26.
- In Paints & Adhesives, Asian Paints reported both EBITDA margin compression and EBITDA contraction due to muted demand and an adverse mix.

Particulars	Q1FY26	Q1FY25	EBITDA Margin change (bp)
Pidilite	25.1	23.9	114
Varun Beverages- Domestic	30.9	30.0	97
Varun Beverages - Overall	28.5	27.7	82
Bajaj Consumer Care	15.2	14.9	29
Dabur	19.6	19.6	6
Emami	23.7	23.9	-20
Berger Paints	16.5	16.9	-39
United Breweries	10.9	11.5	-68
Asian Paints	18.2	18.9	-70
Bikaji Foods (ex PLI)	12.7	13.4	-78
Indigo Paints	14.3	15.2	-89
Godrej Consumer	19.0	19.9	-94
Nestle	21.6	22.9	-131
HUL	22.8	24.1	-134
Britannia	16.4	17.7	-135
CCL Products	15.1	16.8	-178
ITC - FMCG	9.4	11.3	-190
Godfrey Phillips	22.7	24.8	-208
AWL Agri Business	2.1	4.4	-222
Colgate	31.6	34.0	-241
Tata consumer	12.7	15.3	-263
United Spirits	16.3	19.5	-319
Marico	20.1	23.7	-359
ITC - Overall	31.7	37.2	-547

Source: Nuvama Research

Particulars	EBITDA growth (%)
CCL Products	22
Pidilite	16
Bajaj Consumer Care	11
United Breweries	9
Bikaji Foods (Ex PLI)	8
Marico	5
ITC - Overall	3
Dabur	2
Berger Paints	1
Varun Beverages - Overall	0
Britannia	0
Nestle	0
HUL	-1
Emami	-1
Asian Paints	-4
Godrej Consumer	-5
Varun Beverages - Domestic	-6
Indigo Paints	-7
Tata consumer	-9
United Spirits	-9
Colgate	-11
ITC - FMCG	-13
AWL Agri Business	-41

Source: Nuvama Research

Q1FY26 ad spends tight, likely to increase gradually

- FMCG companies spent cautiously on advertising in Q1, but plan to ramp up spends starting Q2. This is positive as companies' plans to increase A&P are telltale signs of demand recovery and favourable RM costs.

- In Q1FY26, A&P as a % of sales fell on a YoY basis for all FMCG names.

- ***Dabur*** invested more in trade schemes while reducing media spends. However, the company pointed out that ad spends shall move up Q2 onwards.

- ***Britannia*** rationalised its ad spends in Q1, concentrating on digital, the IPL and its top four brands instead of advertising across all products.

- ***Marico's*** India A&P spends saw some cut, but it continued to spend on focus categories such as premium, VAHO, foods and premium personal care. Management indicated that A&P spends for the India business will increase going forward.

- ***HUL***'s A&P spends were ~70bp lower YoY as a % of sales, but reached a four-quarter high. Especially, the B&W portfolio saw higher A&P investments, with management indicating comfort as regards short-term margin dilution in this segment to drive long-term growth.

Gross margins under slight pressure

- In the Paints & Adhesives segment, gross margins expanded for Pidilite, Berger Paints and Asian Paints driven by benign crude oil (40% of RM costs).
- Companies faced a mixed trend influenced by varying commodity prices and strategic pricing decisions.
- While some companies managed to expand margins through cost efficiencies and strategic pricing actions, most suffered margin compression owing to persistent commodity inflation.
- Although most of RM have corrected meaningfully, but they still remain at elevated levels—this will likely lead to positive pricing across the sector throughout FY26.
- For Alco-Bev players, ENA remains inflationary, whereas barley prices remain at low levels; glass is neutralising; however, some planned maintenance can slightly can cause glass cost to inch up in Q2FY26.

Particulars	Q1FY26	Q1FY25	Gross Margins change (bp)
Emami	69.4	67.7	176
Bajaj Consumer Care	57.7	56.1	159
Berger Paints	41.4	39.9	155
Bikaji Foods	33.4	31.9	150
Pidilite	54.1	53.8	32
Asian Paints	42.7	42.5	15
Varun Beverages - Overall	54.5	54.7	-17
Varun Beverages- Domestic	53.0	53.2	-22
United Spirits	44.0	44.5	-49
United Breweries	42.6	43.2	-52
Indigo Paints	45.9	46.6	-70
Dabur	47.0	47.8	-75
Colgate	68.9	70.6	-172
Godrej Consumer	51.9	53.7	-184
HUL	49.5	51.4	-188
Nestle	55.2	57.6	-249
Britannia	39.2	41.8	-260
AWL Agri Business	9.4	12.8	-340
Godfrey Phillips	42.2	46.8	-460
Tata Consumer	40.1	44.9	-482
Marico	46.9	52.3	-533
CCL Products	32.6	38.1	-550
ITC	49.0	56.5	-748

Source: Nuvama Research

Impact of recent price correction in key RM

Commodities	Impact of price correction
Palm Oil	Snacks players like Bikaji expects palm oil prices to remain stable going forward. The benefit of duty cut was not much as it uses other oils such as cottonseed and rice bran.
Tea	Tea prices, currently remain favourable - As of the latest auction is about 13% to 15% below last year same time, and companies do not expect it to trend lower as it goes to the full season. Tea pricing strategy is now based on replacement cost rather than peak inflation. With a healthy new crop, sequential pricing correction is expected.
Coffee	Coffee has seen 70–80% cumulative inflation. Companies did not price at peak of inflation, leading to short-term margin pressure for them. With input costs easing, value-price gap is expected to narrow.
Copra	Coconut oil players expects the copra cycle to stabilise over FY26 aided by a normal monsoon and inventory planning. Copra has corrected 10–12% from its peak levels.
Crude	Crude continues to remain benign and trades at lower levels. This is positive for Paints and consumer companies.
PFAD	Soap players like Godrej Consumer expects recent correction in PFAD to kick in from H2FY26.

Source: Nuvama Research

Gross and EBITDA margins — Changes on 2-year basis

- Most consumer names posted gross margin expansion benefiting from softening input cost, pricing strategies and improved mix, but many suffered EBITDA margin compression, mainly due to higher A&P and staff costs.
- Among staples, Emami, Bajaj Consumer and VBL outperformed while Marico, ITC and CCL Products underperformed mainly due to higher RM costs.
- Among Alco Bev, United Breweries continued to witness strong gross/EBITDA margin expansion aided by improved bottle return rates, faster growth in premium, favourable tax policies and multiple innovations leading to an improved mix.
- Among Paints & Adhesives, Pidilite led the pack owing to softer crude and VAM prices while Asian Paints disappointed on the EBITDA margin front due to an adverse mix, price cuts and tepid demand conditions in Urban.

Gross Margin	2 Yr Change
Pidilite	511
Emami	401
Bajaj Consumer Care	223
Varun Beverages - Overall	205
United Breweries	194
Berger Paints	160
Varun Beverages-Domestic	152
Bikaji (Ex PLI)	62
Colgate	50
Dabur	44
United Spirits	36
Nestle	34
AWL Agri Business	29
HUL	-19
Asian Paints	-24
Indigo Paints	-143
Godrej Consumer	-184
Tata Consumer	-208
Britannia	-218
Marico	-306
CCL Products	-714
ITC	-887

Source: Nuvama Research

EBITDA Margin	2 Yr change
Pidilite	349
Varun Beverages-Domestic	295
Varun Beverages - Overall	156
AWL Agri Business	114
United Breweries	105
Emami	68
Dabur	30
Colgate	-3
Britannia	-80
Bikaji (Ex PLI)	-92
Godrej Consumer	-94
Nestle	-114
CCL Products	-117
HUL	-123
United Spirits	-145
ITC - FMCG	-160
Tata Consumer	-187
Berger Paints	-187
Bajaj Consumer Care	-253
Indigo Paints	-268
Marico	-308
ITC - Overall	-429
Asian Paints	-492

Source: Nuvama Research

Valuation summary

Company	CMP	EPS					P/E				
		FY24	FY25	FY26E	FY27E	FY28E	FY24	FY25	FY26E	FY27E	FY28E
Asian Paints	2,572	57	38	48	59	67	45	67	53	44	38
Bikaji Foods	787	11	8	13	16	20	74	98	62	49	39
Bajaj consumer care	229	11	9	14	17	20	21	26	16	14	11
Berger Paints	549	10	10	11	13	14	55	54	49	42	38
Britannia	5,598	89	91	107	127	147	63	61	52	44	38
Colgate	2,339	49	53	54	63	69	47	44	43	37	34
CCL Products	909	19	23	27	34	44	48	39	33	27	21
Dabur	526	10	10	11	13	14	52	54	46	40	37
Emami	612	17	18	21	24	27	37	33	29	26	23
Godrej Consumer	1,235	19	19	22	27	31	66	66	57	46	40
Hindustan Unilever	2,649	44	45	48	54	59	61	58	55	49	45
Indigo Paints	1,178	34	32	33	40	46	35	36	36	30	25
ITC	409	17	16	18	19	21	25	25	23	21	19
Marico	742	11	13	14	18	21	65	59	51	41	35
Nestle	1,174	17	16	17	21	24	70	75	67	56	49
Pidilite	3,096	34	43	50	58	66	91	72	61	53	47
Tata Consumer Products	1,089	16	13	17	21	25	67	83	63	52	43
Varun Beverages	516	6	8	9	11	12	82	67	57	48	42
United Spirits	1,335	20	23	25	30	34	68	59	53	44	40
United Breweries	1,915	16	17	30	40	48	123	114	64	48	40

Source: Nuvama Research

Note: For Varun Beverages; FY24/25/26E/27E represents CY23/24E/25E/CY26E since the company reports December-ending period
For Nestle, FY24 refers to 15M ended March 24 year-end.

All price charts cannot be included given the large of number of companies in our coverage. Specific charts may be available upon request.

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