

India

Neutral (no change)

Highlighted Companies

Jyothy Labs Limited

ADD, TP Rs570, Rs413 close

Jyothy Labs is expected to maintain its growth momentum, growing in double digits. Sustained and consistent profitable growth should drive a change in investor perception, in our view.

Dabur India Ltd

ADD, TP Rs604, Rs504 close

Dabur India is expected to witness a sequential improvement in overall demand and has called out early signs of improvement in both urban as well as rural markets, but rural markets continue to lag their urban counterparts. We expect a 5.4% yoy growth in 4QFY24F.

Godrej Consumer Products Ltd

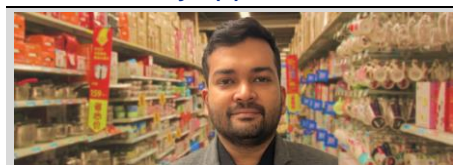
ADD, TP Rs1285, Rs1177 close

We expect domestic volume/value growth at 7%/4.1% led by broad-based growth across home/personal care segments. We expect gross/EBITDA margin expansion of 279bp/115bp yoy, respectively, in 4QFY24F.

Summary Valuation Metrics

| P/E (x) | Mar24-F | Mar25-F | Mar26-F |
|------------------------------|---------|---------|---------|
| Jyothy Labs Limited | 41.25 | 34.86 | 31.24 |
| Dabur India Ltd | 45.88 | 40.15 | 35.02 |
| Godrej Consumer Products Ltd | 56.39 | 45.33 | 38.5 |
| P/BV (x) | Mar24-F | Mar25-F | Mar26-F |
| Jyothy Labs Limited | 8.85 | 7.95 | 7.13 |
| Dabur India Ltd | 8.91 | 7.97 | 7.1 |
| Godrej Consumer Products Ltd | 8.02 | 7.24 | 6.48 |
| Dividend Yield | Mar24-F | Mar25-F | Mar26-F |
| Jyothy Labs Limited | 1.33% | 1.58% | 1.76% |
| Dabur India Ltd | 1.05% | 1.18% | 1.33% |
| Godrej Consumer Products Ltd | 0.73% | 0.86% | 0.98% |

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Consumer Staples - Overall

FMCG: From the street to the storefront

- We conducted extensive channel checks in Delhi NCR, Noida and Punjab regions and met wholesalers, distributors and retailers of FMCG products.
- Regional players in Punjab are spending more on advertising and maintaining higher visibility across segments like biscuits, breads and dairy products.
- Overall demand has remained similar compared to the last few months. Summer products are still moving slowly due to extended winter in North India.

Dependence on wholesale channel isn't coming down in reality

While most FMCG players have been increasingly taking efforts to reduce their dependence on wholesale channels and trying to increase the contribution from alternate channels like e-commerce, quick-commerce and modern trade (MT), our interactions with large distributors of Hindustan Unilever (HUL), Dabur India, Godrej Consumer Products or GCPL, Emami, Parle, Nestle India and Mondelez paint another picture. Distributors are more aware of the prices across channels and are connected to various vendors of similar products (for trading) and are mixing and matching orders through both wholesalers and directly from FMCG companies (primary) due to differential pricing in core categories. As wholesalers sell categories like edible oils, hair oils, health food drinks (HFD), coffee and instant noodles at a lower price, distributors try to match as much of their demand for these categories as they can, as well as order enough directly from FMCG companies to be able to hit their targets, thereby increasing overall margins. Distributors do not see a reduction in their dependence on wholesale channels for better pricing any time soon. While FMCG companies have been pushing their direct reach agenda, distributors believe that retailers are extremely price conscious and hence, they end up buying wherever prices are lower. Distributors are procuring core portfolios of most brands from wholesale channels while the more premiumized/innovative offerings are procured directly.

Regional players maintain better visibility

In the regions we covered, we saw more advertisements from regional players like Bonn (bread & biscuits) across ATL & BTL, with visibility at the store level also remaining strong. Our interactions with retailers gave us the sense that smaller players are more aggressive on maintaining visibility in the region, with requests for hoardings being fulfilled the same day. Verka (dairy) is also strong in terms of visibility in Punjab.

Wholesalers of edible oils are holding high inventory levels

We met the wholesalers and distributors of edible oils, both branded and regional players, and understood that most of their warehouses are fully stocked. While the demand is gradually improving, they don't anticipate a strong uptick in sales growth until Sep 2024F where they typically see heightened demand (often working late into the night) as demand shoots up due to the festive season. This trend normally extends till March (albeit at a slower pace). In the last few years, when raw material prices were volatile, wholesalers were focusing on trading/procuring from each other to push inventory vs. procuring via primary channels as inventory levels have been high in the channels.

Premiumization agenda leading to cannibalization of own sales

Feedback from distributors suggests that newer products launched by FMCG companies have been cannibalizing their own sales (at the mass-end) vs. taking share from other brands – for example, Surf Excel Liquid taking share from its own powder variant.

Variety is in focus; distributors prefer diversifying SKUs by trading

Across our conversations with distributors, one core theme we found is that variety is now the focus area, even within the same categories. Distributors of one brand are either trading other LTL products by procuring from other distributors/wholesalers, as well as taking up distribution of other brands (both listed and unlisted) to increase their own margins and capitalize on their existing reach, instead of focusing on solely expanding retail touchpoints of the existing distribution reach. Their preference is stronger towards mid-sized brands.

FMCG: From the street to the storefront

Company-wise observations

Hindustan Unilever (HUL) ▶

Distributors believe the Rs10 price point of Surf Excel Liquids is well placed and can do well.

- HUL has c.32 distributors in Punjab. Ludhiana has four distributors while regions like Kurali and Mohali have one distributor each.
- Categories like laundry have been impacted due to higher competition intensity from regional and smaller players.
- Liquid variant of Surf Excel, launched at a Rs10 price point, has been doing well, with strong repeat purchases and distributors believe the product has the potential to scale bigger as consumers who buy the larger packs of Surf detergent powder are slowly shifting to the liquids at Rs160 (Rs20 difference; similar grammage), thereby moving up the customer upgradation (premiumization) ladder.
- The overall laundry category has seen higher competition from regional players and other branded players. Overall demand has been weak, but HUL is still pushing forward. Price cuts in the last one year have aided volume growth.
- Categories like HFD are moving slowly, with distributors preferring to purchase these from wholesalers as the price difference makes it more lucrative. Wholesalers offer the same SKUs at lower price points; for example, price of a 500gm Horlicks SKU at Rs178-190 while distributors get it directly from the company closer to Rs200/SKU. With more pressure now on the category due to concerns relating to the 'health' aspect, the category is expected to remain in the slow lane in the near term, further impacted by recent price hikes in the category.
- Soaps have been moving in the slow lane due to higher competitive intensity, but price cuts have aided volume growth. Distributors are also able to procure these from wholesalers at a more lucrative price and increase their margins. Regional brands have been doing well. GCPL is the No.2 player in the region, led by Godrej No.1 variant. Nirma soaps (lime variant), Patanjali soaps and Godrej No.1 are currently performing better than Lux in the region.
- Whenever schemes are launched by the company, full truckloads of HUL's products are pushed into the market due to strong demand and better margins. When a similar scheme is offered by other players, the same intensity isn't witnessed.
- In terms of rural coverage, distributors have one salesman for a region, with a coverage of 60-70 outlets.
- Distributors claim that the overall feedback system in place with HUL used to be better earlier but now that the depot has been shifted to Rajpura, it has become a little more challenging. In terms of sales growth in the area, HUL recently made changes to its sales team covering the Punjab region, which has improved overall sales growth for distributors (compared to the earlier team).

Figure 1: Surf Excel Matic at Rs160/L is slowly taking share...



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: ...from the powder variant at Rs140/kg



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Real fruit juices are doing very well in Punjab. Distributors believe that the new offerings at Rs10-20 price point can take market share from incumbents in those segments.

Dabur India >

General trade channel

- Dabur India's Real Juice brand is the market leader in Punjab. Players like Tropicana (Pepsico) haven't been performing as well.
- Demand for juices is currently slow due to an extended winter season. Expectations of strong heatwaves this year should aid growth of the category going ahead.
- Real Juice is doing well. Distributors believe that the Real Mango Drink variant should be able to take market share from brands like Frooti and Maaza as the product has received positive feedback. Recent spike in awareness with respect to ingredients of mass-end nectars can benefit mid-premium brands, but impact the overall nectar segment.
- New offerings at the Rs10-20 price point are doing well in general trade channels and are outperforming other brands in similar offerings.
- Categories like Chyawanprash have been moving due to an extended winter season in the region, but the upcoming summer season may see slower demand. The overall category has improved due to heightened competitive intensity from other brands in the space.
- Honey has been doing well in the mass segment, but had seen a period of lower offtake due to the influx of new players/offerings in the segment. Newer more-premium range have been moving at a slower pace compared to the core offerings and hence, Dabur India is focusing more on the D2C segment in this space.
- Oral care has been doing well, but Colgate has been maintaining a strong dominance in the region. Dabur India lowered its trade margins in the category and have since not been doing as faring as well as earlier. Given the lower margins from the company, distributors are sourcing core categories from wholesalers who get the same products at a lower price point and are pushing these into the market.

Institutional channel

- Differential pricing in hotel channels is aiding price growth as products are sold at double the price in these channels. In Chandigarh, after the rapid growth of 4-star and 5-star properties, the distributor has witnessed strong growth. Larger national players fix prices (pan-India) with the company and procure supplies from distributors in the region at pre-determined prices.
- Institutional channel distributors make a 5% margin in the hotel channel. Hotels make 40-50% in terms of margins.
- Hotels require 1-1.5 months of credit from the distributors but have a good track record of clearing payments within the stipulated time and hence, even if there are periods where they procure more than normal, the distributors are not worried about recovery/collections.
- Dabur India has also started pushing Fem, Chyawanprash, Honey and other categories into these hotel chains through these distributors, who already have inroads with the hotels.

Godrej Consumer Products (GCPL) >

- Godrej No.1 is at a second position in Punjab in terms of market share (HUL leads the pack).
- Recently launched Agarbattis (Incense sticks; with RNF) were not doing well at a Rs15 price point (for 15 sticks). The pack architecture had been reworked at a Rs10 price point (for 10 sticks) and has started to grow faster now. Distributors believe that it will take share from other brands, including illegal incense sticks as the feedback has been positive from customers (compared to the earlier range offered during the Covid-19 pandemic; without RNF), especially at the new price point.

The new range of incense sticks at Rs10 price point is doing well. The Rs15 price point was not well received. Fab liquids have not yet been launched in a big way in Punjab.

- In liquid vapourizers, GoodKnight is the leader in Punjab and has a strong brand pull. As per distributors, GCPL made a smart move with its latest LV machine, which can only use its own refills, but its refills can be used with the machines of other brands.
- In laundry care, Godrej EZEE is the No.2 brand in Punjab. The newly launched Fab range (priced at Rs99/L) has not made inroads in the region in a big way yet. Demand for EZEE remains strong. Distributors do not believe it will make a large impact.
- In hair colour, Godrej (and Garnier) at Rs30/pack are the leaders in the market and have been doing well.

Figure 3: Newly launched differentiated agarbattis at Rs10 price point is doing well



SOURCES: INCRED RESEARCH, COMPANY REPORTS

CDC, Cibacca and Herbal range have been doing well. The Whitening range is performing better than Active Salt.

Colgate ➤

- Colgate is the strongest player in oral care in Punjab.
- Brands like Colgate Dental Cream (CDC), Cibacca and their herbal range have been performing very well.
- Active salt is a slower moving product in the region. Recent relaunch may not materially impact its growth rate until more category development initiatives are put in place for this segment.
- Categories like whitening are doing better in more urban markets like Chandigarh, but at lower price points they are doing well even in smaller towns.
- As Dabur India lowered its margins in oral care products for distributors, it saw a slower pace of growth, which was capitalized by Colgate.

Core offerings are doing well in Punjab. New offerings are growing slowly.

Nestle India ➤

- Nestle India has been doing well in Punjab. Maggi is the market leader in instant noodles in the state. Yippee (ITC) is the next biggest player in the segment.
- Core range of Maggi is doing well, but there has been a rising trend of distributors of other brands starting to trade Maggi's core variants through wholesale outlets owing to differential pricing offered by the company and the prices offered by wholesalers.
- Its newer range has not done as well as expected in semi-urban markets, but the core offerings remain strong. The focus has increased on pushing newer offerings at smaller price points in semi-urban and rural markets.

Britannia has a 31% market share in Punjab, followed by Mrs Bectors. Brand pull for Britannia remains very strong.

Britannia Industries ➤

- Britannia Industries is the market leader in Punjab, with a c.21% market share. Retailers are serviced by distributors in two-to-three days on average (compared to 10 days by Mrs Bectors) as the brand has a strong demand pull.
- Overall demand has been healthy, with most SKUs doing well, albeit at heightened competition from regional players like Bonn and mid-sized players like Mrs Bectors.
- Smaller packs are doing better in general trade channels, while the larger packs are not doing very well as the grammage offered at these price points is not lucrative enough to upgrade to a larger pack.

- In terms of their differentiated mix, Britannia Industries still has a strong position in the jam category with Jim-Jam. Players like Mrs Bectors are yet to enter this space (potential whitespace for them). Most other categories are available with other players like bourbon, crackers, digestives, etc.
- Brand pull is strong across its brands. For example, despite other players also having products like Good Day (c.30% of Britannia Industries' overall sales), customers continue to ask for Good Day at retail touchpoints. Retailers are incrementally pushing other brands as well, but the overall brand pull still remains strong, ensuring their continued growth. Players like Mrs Bectors are gradually improving their distribution reach and visibility at a store level.
- Britannia Industries had increased its margins at the retailer level to 12-14% (distributors make 6-7% depending on SKUs) and has been doing well in Punjab, especially in semi-urban regions.
- Newer launches under the Laughing Cow brand have been doing better in urban markets than in semi-urban and rural markets, where Verka (Punjab co-op) has been doing better.
- For most distributors in the region, biscuits account for 75% of their sales mix, with other categories making up the rest. More distributors are also increasingly taking up Cremica's distribution owing to their product quality and ease of doing business.
- Britannia Industries' Tiger range (licensed from Mondelez) has been growing at a slower pace as the company has been pushing its own brands in similar offerings. For example, it has been pushing LTL offerings under Milk Bikis which directly competes with Tiger to drive higher sales of its own brands.

Figure 4: Market share in Punjab – biscuits

| Company | Market Share (%) |
|----------------------|------------------|
| Britannia Industries | 21% |
| Mrs Bectors | 15% |
| Parle | 13% |
| ITC | 12% |
| Others | 39% |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Mrs Bectors' Cremica range of biscuits is seeing strong acceptance and taking market share from smaller players in the region.

Mrs Bectors ▶

- In General Trade (GT), Mrs. Bectors has four distributors in Chandigarh currently.
- Margin structure: Distributors get around 7% margins (c.2% PAT) while retailers get 14% (vs. 12% for Britannia Industries).
- **Price action:** Cashew Delight range saw price cuts, but the premiumized version has been pushed at a higher intensity to counter this. Coconut Delight saw price cuts by way of grammage hikes from 74gm to 79gm for a Rs10 pack, which is in the process of reversal.
- The company is scaling up distribution of bread in Punjab but is doing it via separate distributors as distribution of bread largely starts earlier in the morning vs. biscuits and hence, existing dealers aren't that keen on adding bread into their fold.
- Mrs Bectors is facing strong competition from Bonn (under Americano brand) in biscuits under categories like Coconut Biscuits and Digestives but has stepped up its visibility in stores to tackle
- In zones where sales growth is low but the potential is high, Mrs Bectors is offering to pay up to 50% of the salesmen's salaries to incentivize distributors to scale up their reach.
- As per distributors, the consumers in Punjab are more open to try new products but the larger challenge remains that in categories like cream and cashew biscuits, consumers ask retailers for Good Day and Oreo and hence, the push from the retailer is required to increase the offtake of similar products.
- Unlike larger brands, who sell the same large packs in modern trade and general trade at differential prices to the dealers, Mrs Bectors has taken steps to correct this and create channel-specific packs (for example in Jeera

biscuits), such that general trade distributors don't feel the need to procure the same goods from dealers of institutional channels (who get offers like buy 1 get 1 free from the company).

- As per feedback from senior sales team members in the region, Mrs Bectors has made its journey so far by spending higher on BTL and winning in product quality and taste and is now spending higher on ATL, thereby driving visibility. More efforts to drive impactful communication should aid the brand scale-up in a faster manner.
- Bread products will be extended in Punjab through a separate distribution channel as existing distributors of biscuits do not wish to operate early in the morning or late into the night as supplies of categories like bread and dairy follow a different supply chain cycle (in terms of timing) vs. biscuits, which happens during the day.
- In biscuits, players like Unibic and McVities are not doing well and players like Mrs Bectors are taking their market share (at 15%). Even players like Anmol and Priya Gold have seen some market share loss to Mrs Bectors in Punjab.
- In terms of seasonality, demand for biscuits is higher between Apr to Oct, and to some extent c.15 days post Diwali, which then comes back to normal levels.

Figure 5: Mrs Bectors is driving up visibility of its products at a store level



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Dairy Milk at Rs10 price point is the market leader in chocolates. 60% more opportunity to expand visi-coolers in Punjab.

Mondelez >

- Mondelez is the market leader in chocolates, led by Cadbury Dairy Milk.
- Dairy Milk at Rs10 price point is the highest-selling variant.
- Mondelez had capitalized on visibility and visi coolers much ahead of competition like Nestle India and have not lost much market share in the last few years. 60% of outlets in the region still don't have a visi cooler (either due to space/liquidity issues) and remain an opportunity.
- There is currently an oversupply scenario in the market, with overall demand being lower than supply.
- In terms of retail touchpoint expansion, distributors believe that the infrastructure for chocolates (visi coolers) is still not at an optimum level and have further scope for growth. Once a visi cooler is added, offtake of other offerings (barring the lower price points) improve.
- Oreo is the market leader in its category (cream) and has made a strong position of its own. Customers demand Oreo from the retailers (when referring to the category) and hence, it becomes difficult for retailers to push other similar offerings by other players.
- For Oreo, retailers make 8.5% margins vs. 6% offered by Cremica's Melto. Hence, retailers still prefer pushing Oreo rather than pushing other products.
- In terms of spike in cocoa prices, distributors do not anticipate a large dent on demand in case the companies hike prices, so long as the Rs10 price point largely remains similar (in terms of grammage).

Haldirams is the market leader in namkeens in Punjab and a strong challenger brand in western snacks (Lays has an 82% market share).

Haldirams ➤

- Haldirams holds strong dominance in Punjab in ethnic snacks, with a No.1 position. Other players are not able to crack this market in a big way. In western snacks, it is a leading challenger brand (Lays has a 82% market share).
- Haldirams has separate distribution channels (7-8 categories) based on price points and categories. For example, one distributor will only push products priced under Rs20 to general trade while others at other price points will service the same counters separately.
- Haldirams' demand pull is so strong that inventory rotation at the distributors-end is replenished in one or two days.
- One distributor, on average, services 350-400 outlets. In Ludhiana, the dealers are clocking Rs2.5-3m per month under the Rs20 price point (despite having only 1/10th coverage).
- Haldirams has been undertaking cost savings in its own sales teams by clubbing ASMs/ZSMs (Area/Zonal Sales Managers) for large and small packs. Earlier, the company used to have separate ASMs/ZSMs for each category.
- Haldirams has ensured that products sold in modern trade remain largely in those channels by refraining from offers like Buy 1 Get 1 in those channels, thereby not pressurizing/cannibalizing sales from general trade channels in a big way.
- Haldirams offers 7% margin to its distributors while retailers get 16% margin in namkeens and 25% in western snacks. Lays, in comparison, offers 5% margin to distributors. Retailers get 10% margin on Rs10 pack and c.12% margin on larger packs.
- There was some delay in supply recently from their close super stockists, but there has been an improvement in the last few days. Demand was outstripping supply during this period.

MDH ➤

MDH is the dominant brand in masalas in Punjab and rest of North India. Strong grasp on the influencer channel is keeping demand in check.

- MDH is the market leader in Punjab in spices and masalas. In North India, MDH is the market leader.
- The brand has capitalized on its influencer channel (halwais/caterers) and incentivizes them separately (fulfilled by the company) to continue to push its brand as a preferred brand to ensure the best taste. This has led to a strong position on retail shelves as well as the customers believe the taste profile of their food will change if they use other brands.
- MDH has four super stockists in Punjab, who clock Rs1-1.2bn each annually at a 5% margin.
- Distributors make 7.88% margin while retailers make 20% fixed margin + 4% cash discount.
- In comparison, players like Tata Sampann offer 8% to the distributor and 30% fixed margin + 5% cash discount to retailers but are not able to grow in a big way as MDH has strong demand. There have been instances where distributors who shifted from MDH to other brands (due to the higher margins offered) reverted to MDH as there wasn't enough demand for those brands.
- In Delhi (and surrounding regions), MDH has five super stockists, who push Rs7bn worth of inventory into the market.

Honasa Consumer - Mamaearth ➤

- Mamaearth has not been doing very well in Punjab so far, barring more urban-specific regions like Chandigarh, as its price points are not lucrative for smaller markets because the customers who have the purchasing power are buying it through D2C channels. Distributors believe that offtake will be slower due to higher price points.
- In urban markets, especially in malls, Mamaearth has improved its visibility in offline markets by expanding stores and kiosks.

Other region-specific anecdotes ➤

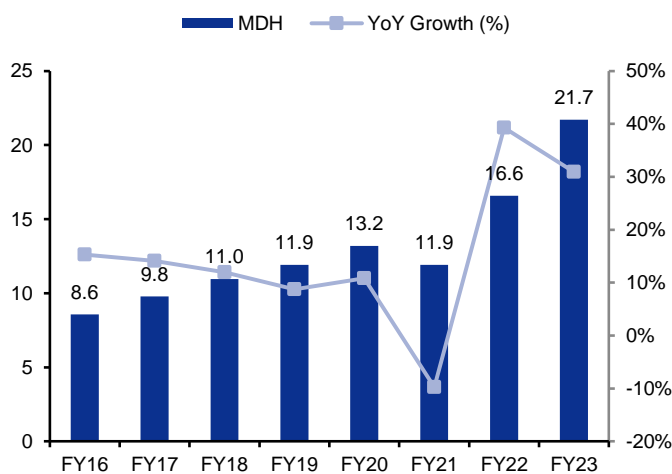
- In terms of summer products, Nycil and Dermicool (Emami) are the leaders and see strong traction during the summer season typically. Expectations of hotter temperatures this year should yield better traction this time around.
- In Punjab, Patanjali is doing well in soaps, toothpaste and dishwash bars. Other categories aren't doing as well.
- In categories like wafers (western snacks) – Lays has a dominant share at 82% in Punjab. Haldirams has also been doing well, with strong visibility across retail shelves.
- In categories like namkeens and other western snacks (barring wafers), Haldirams is the market leader. Other players are not expected to dent their position in a strong way here as there is a strong pull with customers in the region.
- In beverages, Lahori Jeera has been very active in creating a pull demand scenario for itself. It has spent more on advertising, including BTL spends. It gives its distributors 2-2.5% margin while retailers make 17-18% margin. The demand is so strong that the brand is able to optimize truck deliveries, ensuring most of its trucks are fully stocked in each delivery. The products are manufactured in Fatehgarh.
- Demand for rusks is strong overall, with a higher preference for regional brands, but even branded products (from Parle, Cremica, Britannia Industries) are doing well in the same retail outlets that sell these regional brands.

Figure 6: Margin structure across companies

| Company Name | Distributors | Retailers |
|---------------------------------|--------------|--|
| MDH (spices) | 7.88% | 20% + 4% |
| Tata Sampann (spices) | 8% | 35% |
| Haldirams | 7% | 16% - Namkeen 25% - Western snacks |
| Lays | 5% | 10% - Rs10 packs 12% - larger packs |
| Mrs Bectors (biscuits) | 5% | 14% - Regular outlets 14% + 2% + 2% - preferred outlets |
| Britannia Industries (biscuits) | 4% | 12% - 14% |
| Dabur India (juices) | 5% | 50% - Insti channel (hotels) |

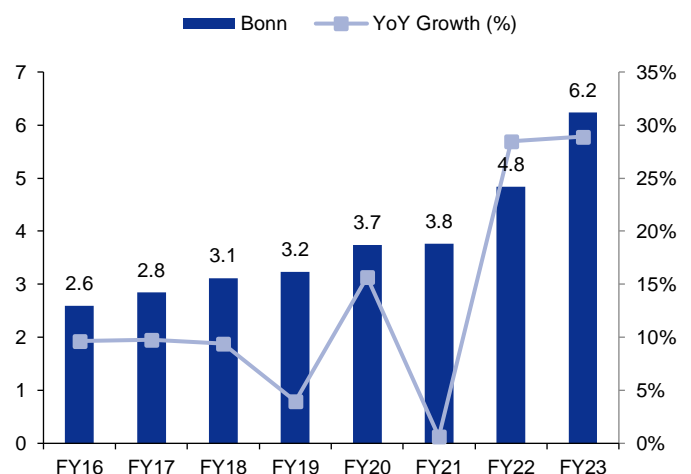
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: MDH clocked Rs21.7bn in sales in FY23 - it is the market leader in Punjab and rest of North India



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 8: Bonn clocked Rs6.2bn in sales in FY23, largely from its bread segment



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Birla Opus Paints: Zero visibility in Punjab so far ➤

- None of its products are visible in any of the paint stores we came across in Chandigarh. Even in the other regions in Punjab, there was zero visibility.
- Our interactions with larger paint dealers offering brands like Asian Paints indicated that confidence was lower at Asian Paint counters due to the diverse offerings available and strong influencer network of the market leader.
- A dealer of Berger Paints (also a dealer of Ultratech Cement) was willing to take up a tinting machine of Birla Opus if it launched in a big way, but he hasn't heard much chatter in the channel and so he prefers to wait and watch.
- In Mumbai, Birla Opus is hosting a dealer event on 20 Apr 2024 and will showcase their range in a strong way in a bid to onboard dealers.

Figure 9: Changes in MRP between 1-Apr 2024 to 17-Apr-2024

| Products where MRP has changed | | | | SKU | MRP as on | Change (%) |
|--------------------------------|-------------|-----------------------|---|---------|-----------|--------------|
| Company | Category | Brand | Variant | Gms/Ltr | 17-Apr-24 | vs 01-Apr-24 |
| Staples | | | | | | |
| HUL | Coffee | Bru | Instant coffee pouch | 50 | 120 | -25% |
| Nestle | Coffee | Nescafe | Classic Coffee Pouch | 50 | 189 | -6% |
| Agro Tech Foods | Edible Oils | Sundrop | Sundrop Superlite Advanced Sunflower Oil | 1,000 | 180 | -32% |
| Adani Wilmar | Edible Oils | Fortune | Sunlite Refined Sunflower Oil | 1,000 | 142 | 1% |
| Mars | Spreads | Hersheys | Chocolate Spread (Cocoa + almond) | 350 | 340 | 6% |
| Mars | Spreads | Hersheys | Chocolate Spread (Cocoa) | 300 | 340 | 6% |
| HUL | Tea | Brooke Bond Taj Mahal | Brooke Bond Taj Mahal Tea | 500 | 470 | 4% |
| Tata | Tea | Tata Agni | Tata Agni Tea | 1,500 | 325 | -3% |
| Tata | Tea | Tata Agni | Tata Agni Tea | 1,000 | 220 | -4% |
| Marico | Honey | Saffola | Honey Glass Jar | 500 | 220 | -12% |
| Home and Personal Care | | | | | | |
| Marico | Hair Oils | Parachute | Parachute Advansed Aloe Vera Coconut Hair Oil | 400 | 213 | -3% |
| Dmart | Hair Oils | Coconourish | Coconut Oil | 1,000 | 350 | -7% |
| Dabur | Oral Care | Dabur Red | Dabur Red | 200 | 130 | 8% |
| Dabur | Oral Care | Dabur Red | Dabur Red | 350 | 251 | 5% |
| HUL | Shampoo | Clinic Plus | Strong & Long Health Shampoo | 340 | 285 | 10% |
| HUL | Shampoo | Sunsilk | Stunning Black Shampoo | 340 | 345 | 5% |
| HUL | Shampoo | Dove | Hairfall Rescue | 340 | 365 | 3% |
| P&G | Shampoo | Head & Shoulders | Anti-Dandruff | 340 | 410 | 3% |
| HUL | Shampoo | Dove | Hairfall Rescue | 650 | 850 | 5% |
| HUL | Shampoo | TRESemme | TRESemme Keratin Smooth Shampoo | 1,000 | 1,249 | 13% |
| HUL | Shampoo | TRESemme | TRESemme Keratin Smooth Shampoo | 580 | 850 | 2% |
| HUL | Soaps | Dove | Dove Cream Beauty Bathing Bar | 375 | 262 | 2% |
| HUL | Soaps | Dove | Dove Cream Beauty Bathing Bar | 500 | 463 | 3% |
| ITC | Soaps | Fiama Di Wills | Lemongrass & Jojoba Gel Bar | 375 | 265 | -7% |
| P&G | Detergents | Tide | Tide Plus Detergent Powder - Jasmine & Rose | 1,000 | 140 | -3% |

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Changes in raw material prices on a monthly basis

| % M-o-M Change | Companies impacted | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | Apr-24 |
|--|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Groundnut (Rs/kg) | Marico | -3.1% | 0.4% | 12.5% | 1.1% | -2.0% | -12.6% | -4.0% | 3.0% | -2.7% | -5.1% | 1.7% | -0.2% |
| PFAD (Rs/kg) | HUL, GCPL, Jyothy | -1.9% | -0.4% | 9.2% | -1.4% | -4.4% | -2.8% | 1.8% | -5.7% | -0.5% | 1.5% | 8.3% | 2.4% |
| Sunflower oil (Rs/kg) | Marico | -6.0% | -4.7% | 7.0% | -0.2% | -8.9% | 1.4% | 7.1% | -3.2% | 0.6% | -0.7% | 5.4% | -0.6% |
| Mentha oil (Rs/kg) | Emami | -2.3% | -6.3% | -3.0% | 5.6% | 3.7% | -3.7% | -1.9% | -5.4% | 0.0% | -0.6% | 2.4% | -0.4% |
| Palm oil (Rs/kg) | HUL, GCPL, Jyothy, BRIT | -9.7% | -8.1% | 9.3% | -1.4% | -3.5% | -2.9% | 3.5% | -1.3% | 4.0% | 0.6% | 9.2% | 5.2% |
| Refined Palm Oil Index | | -10.3% | -8.2% | 8.3% | -2.7% | -2.7% | -3.7% | 3.3% | -1.4% | 3.3% | 1.1% | 10.1% | 1.3% |
| Tio2, Solvents & other paints related | | | | | | | | | | | | | |
| Titanium dioxide (Du Pont) (Rs /kg) | Asian, Berger and Kansai | 0.2% | -1.3% | -3.0% | -0.9% | -0.9% | -2.4% | -2.7% | -0.2% | 0.0% | -2.6% | -1.2% | -0.4% |
| Acetic Acid Glacial price Rs/KG | Asian, Berger and Kansai | 0.2% | -4.7% | -2.2% | -6.7% | 24.6% | 12.7% | -3.2% | -10.2% | -9.8% | 4.2% | 1.1% | -2.4% |
| Brent (INR/bbl) | All companies | -8.7% | -0.9% | 6.6% | 7.3% | 8.7% | -3.3% | -7.9% | -5.6% | 2.2% | 2.8% | 4.1% | 6.6% |
| VAM (\$/MT) | Pidilite | -10.8% | -5.4% | -8.0% | 12.8% | 0.5% | 13.0% | -21.7% | 2.5% | 21.1% | 0.8% | 3.6% | 0.0% |
| VAM (Rs/MT) | Pidilite | -10.5% | -5.5% | -8.0% | 13.7% | 0.7% | 13.3% | -21.6% | 2.4% | 20.9% | 0.7% | 3.7% | 0.4% |
| China Titanium Dioxide (Rs/kg) | Asian, Berger and Kansai | 3.7% | -0.7% | -1.0% | -0.4% | -1.0% | -0.5% | -0.5% | -0.3% | 0.3% | 1.0% | 2.2% | 0.0% |
| Foods Related (Milk, Tea, coffee) | | | | | | | | | | | | | |
| Barley (Rs/kg) | HUL, Nestle | -5.2% | -7.4% | -2.5% | 0.8% | 7.3% | 2.6% | 3.4% | -1.8% | -1.4% | -3.9% | -0.4% | -2.9% |
| Wheat (Rs /kg) | Britannia | 4.2% | 3.3% | -0.6% | 2.6% | 2.0% | 6.2% | 0.0% | -4.8% | 1.0% | -5.0% | 4.6% | -5.5% |
| Sugar (Rs / kg) | HUL, Nestle, Britannia | -1.2% | 0.1% | 1.6% | 1.3% | 3.0% | 2.7% | 3.2% | -4.2% | -1.0% | -1.4% | -0.4% | 1.4% |
| Leaf Tea - South India (Rs/kg) | HUL, Tata Consumer | -4.7% | -7.1% | -2.3% | -2.5% | -1.4% | 6.0% | 1.1% | -2.6% | 4.9% | -1.4% | 8.7% | -7.0% |
| Leaf Tea - All India (Rs/kg) | HUL, Tata Consumer | -0.3% | 6.8% | 3.6% | -4.5% | -0.4% | -9.5% | 6.2% | -4.7% | -15.9% | -10.6% | 0.1% | 10.6% |
| Packaging Material | | | | | | | | | | | | | |
| LDPE (Rs/Kg) | All companies | -0.8% | -6.1% | -1.7% | 5.7% | 1.6% | -0.4% | -4.2% | -0.1% | 3.2% | 0.7% | 1.5% | -0.5% |
| Polypropylene (Rs/Kg) | All companies | 0.7% | -10.3% | -3.2% | 6.9% | 2.2% | 0.7% | -4.3% | -0.7% | 2.8% | 2.5% | 1.4% | 0.6% |

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 11: Valuation summary of our FMCG coverage universe

| Company Name | Bloomberg Ticker | Recom. | Market Price Rs/share | Target Price Rs/share | Revenue CAGR FY24-26F | EPS CAGR FY24-26F | P/E (x) | | |
|--------------------------|------------------|--------|-----------------------|-----------------------|-----------------------|-------------------|---------|-------|--------|
| | | | | | | | FY24F | FY25F | FY256F |
| Britannia Industries | BRIT IN | HOLD | 4,741 | 5,325 | 10.4% | 10.9% | 53.6 | 48.9 | 43.6 |
| Colgate-Palmolive India | CLGT IN | HOLD | 2,702 | 2,600 | 7.8% | 9.1% | 55.6 | 50.6 | 46.7 |
| Dabur India | DABUR IN | ADD | 504 | 604 | 10.2% | 14.5% | 45.9 | 40.1 | 35.0 |
| Emami | HMN IN | HOLD | 443 | 542 | 10.2% | 17.3% | 26.9 | 22.9 | 19.6 |
| Godrej Consumer Products | GCPL IN | ADD | 1,177 | 1,285 | 11.2% | 21.0% | 56.4 | 45.3 | 38.5 |
| Hindustan Unilever | HUVR IN | HOLD | 2,221 | 2,680 | 10.7% | 11.9% | 49.8 | 43.0 | 39.8 |
| Jyothy Laboratories | JYL IN | ADD | 413 | 570 | 11.7% | 14.9% | 41.3 | 34.9 | 31.2 |
| Marico | MRCO IN | HOLD | 508 | 550 | 11.5% | 10.1% | 46.0 | 42.3 | 38.0 |
| Nestle India | NEST IN | HOLD | 2,546 | 2,636 | 11.4% | 15.9% | 81.7 | 68.7 | 60.8 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

Figure 12: Valuation summary of our paints coverage universe

| Company Name | Bloomberg Ticker | Recom. | Market Price Rs/share | Target Price Rs/share | Revenue CAGR FY24-26F | EPS CAGR FY24-26F | P/E (x) | | |
|-----------------------|------------------|--------|-----------------------|-----------------------|-----------------------|-------------------|---------|-------|-------|
| | | | | | | | FY24F | FY25F | FY26F |
| Asian Paints | APNT IN | REDUCE | 2,830 | 3,000 | 9.0% | 1.7% | 49 | 49 | 47 |
| Berger Paints India | BRGR IN | HOLD | 531 | 600 | 8.2% | 5.8% | 49 | 47 | 44 |
| Kansai Nerolac Paints | KNPL IN | REDUCE | 273 | 300 | 7.5% | 37.5% | 36 | 20 | 19 |
| Pidilite Industries | PIDI IN | HOLD | 2,879 | 2,665 | 10.4% | 11.8% | 74 | 67 | 59 |

SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

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