

India

**Neutral** (no change)

# Consumer Staples - Overall

## 2QFY25 results preview: Mixed expectations

- No meaningful uptick in rural demand is expected in 2Q. Inflationary environment to aid the reversal of market share in favour of organized players.
- Our paint pack is likely to post 0.9% sales growth in 2Q. The decorative segment may remain muted. Prefer PIDI over the paint pack in the near term.
- Ethos and Titan's jewellery biz to post 20%/25% sales growth in 2Q. Raymond Ltd to post strong growth in its realty biz (50%+). TCPL remains our top pick.

### No meaningful rural demand uptick; urban demand remains sluggish

We expect our staples pack (aggregate) to post 3.3% yoy sales growth in 2QFY25F. FMCG companies have been optimistic about a gradual improvement in rural demand, but no meaningful uptick is expected in 2Q. While rural demand is gradually improving, urban demand is expected to remain sluggish, mainly due to accelerated growth in alternate channels like quick commerce, e-commerce and modern trade, which is exerting some pressure on standalone general trade (GT) stores. Considering the inflationary environment, organized players should be able to regain some market share from the unorganized/regional players. We prefer Britannia Industries (ADD), Emami (ADD), Jyothy Labs (ADD), GCPL (ADD), Marico (ADD) and Dabur India (ADD).

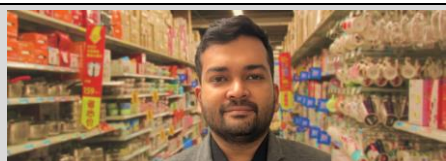
### Weak domestic decorative demand keeps value growth in check

Our paint coverage universe is expected to post 0.9% yoy growth in 2QFY25F. The decorative paint business for most players is expected to see muted demand, leading to weak value growth. The industrial segment is expected to perform better sequentially, as it remained impacted in 1Q on account of general/assembly elections in India. On a weak base (due to the late festive season impacting 2QFY24), we expect Asian Paints (APNT) to post 8% volume growth, but value growth is likely to remain suppressed (-0.7% yoy) as the overall decorative demand continues to remain muted. Berger Paints is likely to continue posting better value growth, compared to APNT, with a 9% volume growth and a value growth of 2.5%. Kansai Nerolac Paints or KNPL is expected to post a 5% volume growth and flat yoy sales growth. Pidilite Industries or PIDI is expected to outperform the paint pack by posting a 5% value growth (8.5% volume growth in the domestic C&B segment). We continue to prefer PIDI over the paint pack, which is reeling from intense competitive pressure, but maintain our HOLD rating on it on account of lofty valuations.

### Titan to lead the retail pack; TCPL Packaging to maintain momentum

Owing to a 900bp duty cut leading to spur in demand, Titan Company (Titan) is expected to post a 25% yoy sales growth from its jewellery business (vs 37% for Kalyan Jewellers). Raymond Ltd is expected to post 50%+ yoy growth in its real estate business. The overall like-for-like sales growth should be 15% yoy in 2QFY25F. TCPL Packaging (TCPL) is expected to maintain its strong momentum (8%/15% sales/EBITDA growth), supported by continued traction in export markets, with a healthy EBITDA margin at 17.1% (+105bp yoy). It remains our high-conviction ADD-rated stock with a target price of Rs4,250.

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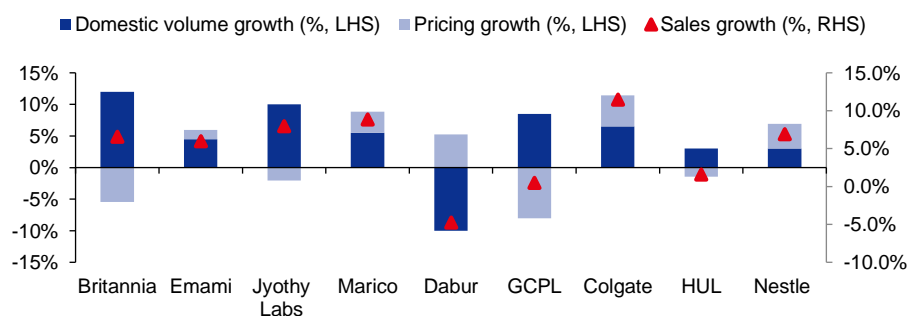
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**Figure 1: Dabur India expected to underperform; Britannia Industries likely to post its highest volume growth**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 2QFY25 results preview: Mixed expectations

### Quarterly consolidated results summary

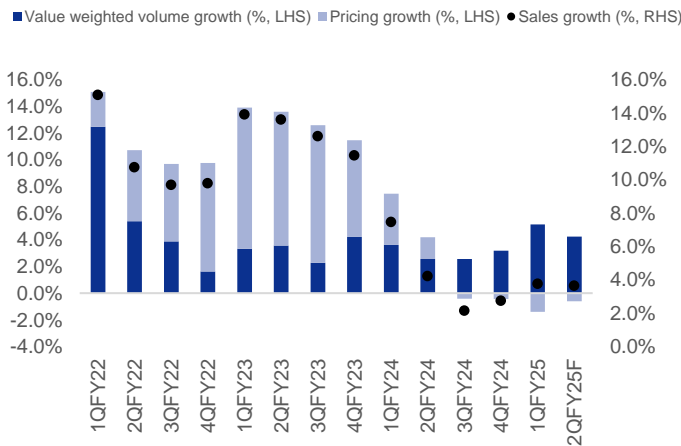
Figure 2: 2QFY25 preview of our coverage universe

Company	Revenue (Rs m)	% chg (yoy)	EBITDA (Rs m)	% chg (yoy)	Net Profit (Rs m)	% chg (yoy)
<b>Consumer staples</b>						
Britannia Industries	47,239	6.6%	8,439	-3.3%	5,983	1.8%
Colgate-Palmolive (India)	16,396	11.5%	5,542	14.9%	3,957	16.4%
Dabur India	30,519	-4.7%	5,429	-17.9%	4,041	-21.5%
Emami	9,163	5.9%	2,525	8.1%	1,887	5.7%
Godrej Consumer Products	36,184	0.5%	7,355	4.5%	4,589	3.1%
Hindustan Unilever	1,55,163	1.6%	36,463	-1.3%	26,465	-2.8%
Jyothy Labs	7,905	7.9%	1,455	7.5%	1,114	7.1%
Marico	26,952	8.9%	6,314	27.0%	4,611	30.6%
Nestle India	53,546	6.9%	12,377	3.7%	8,513	6.2%
<b>Aggregate (staples)</b>	<b>3,83,066</b>	<b>3.3%</b>	<b>85,899</b>	<b>6.8%</b>	<b>61,159</b>	<b>7.9%</b>
<b>Consumer Discretionary</b>						
Asian Paints	84,165	-0.7%	15,440	-10.0%	10,611	-12.0%
Berger Paints	28,365	2.5%	4,709	-0.6%	3,059	4.9%
Kansai Nerolac Paints	19,542	-0.1%	2,763	1.1%	1,886	6.4%
Pidilite	32,257	4.9%	7,479	10.0%	5,090	13.1%
<b>Aggregate (discretionary)</b>	<b>1,64,329</b>	<b>0.9%</b>	<b>30,390</b>	<b>-3.3%</b>	<b>20,646</b>	<b>-2.8%</b>
Titan Company	1,34,499	7.3%	14,526	2.9%	8,692	-5.0%
Ethos	2,823	20.0%	477	28.0%	261	40.3%
TCPL Packaging	4,385	8.0%	750	15.1%	349	19.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

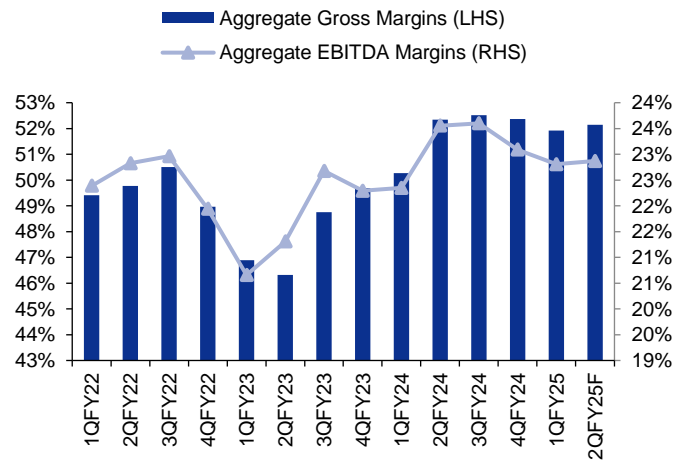
### Consumer staples (standalone) aggregate – the story so far

Figure 3: The gap between value and volume growth to narrow going ahead



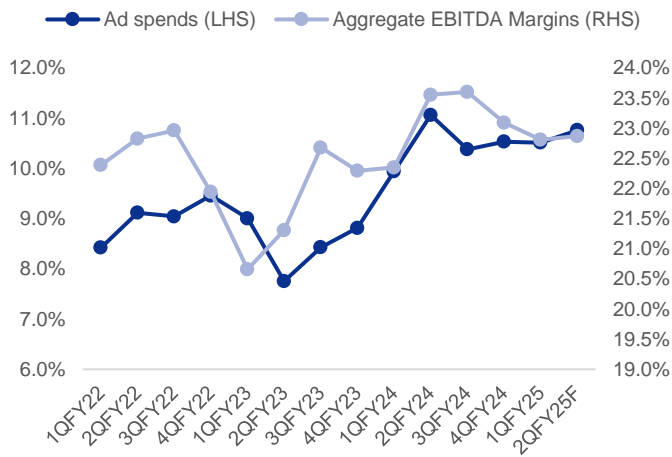
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Continued thrust on advertising and promotional spending keeps the EBITDA margin in check



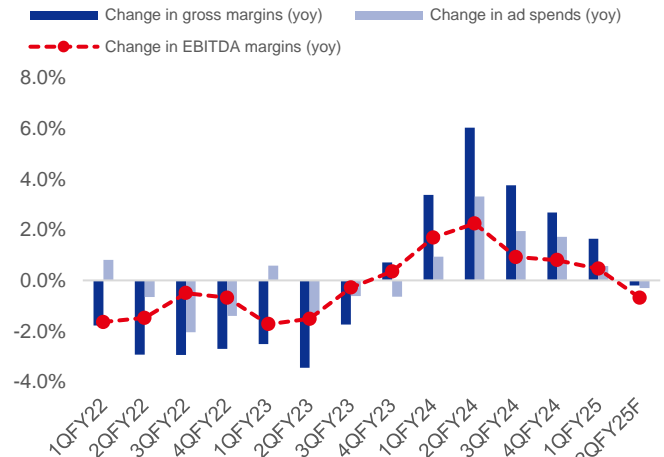
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Spending on advertising remains elevated as our FMCG pack continues to invest in driving sales growth**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

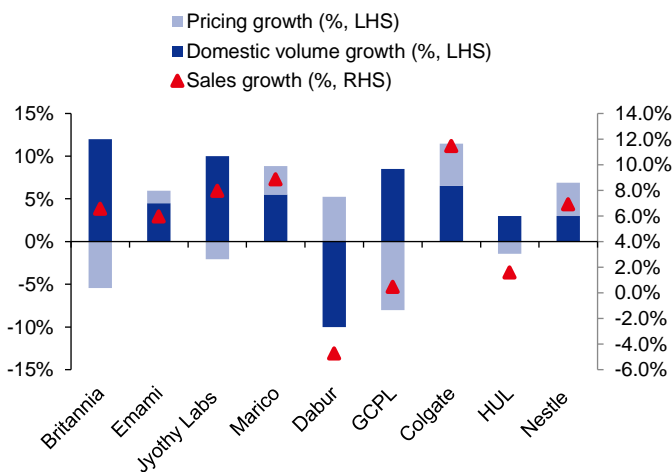
**Figure 6: The EBITDA margin to remain under pressure due to higher spending on advertising**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

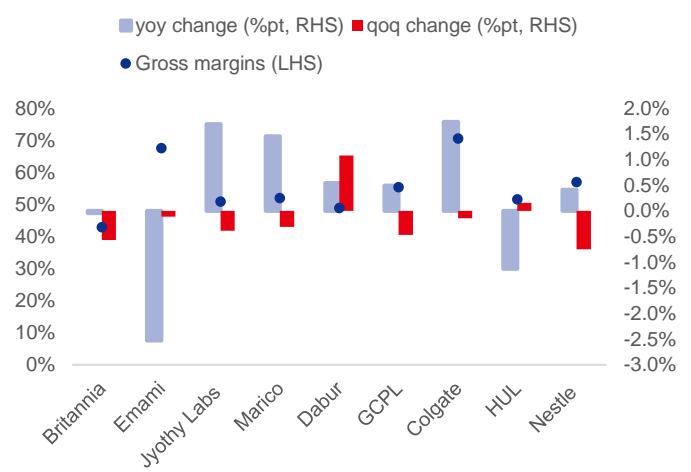
## 2QFY25F – the story in charts

**Figure 7: Britannia Industries to outperform the FMCG pack in volume growth; Dabur India to underperform**



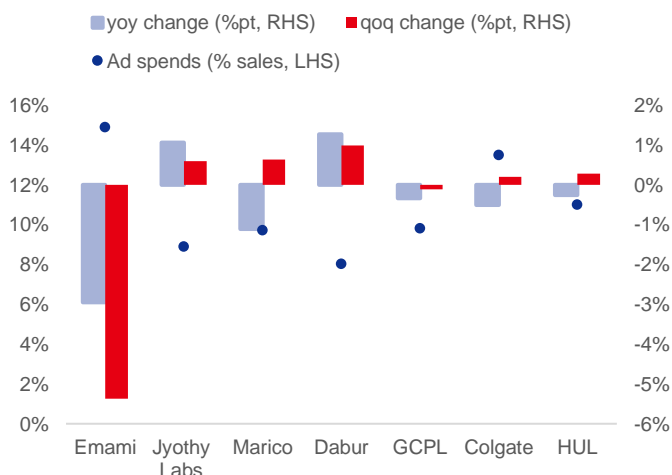
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: Colgate-Palmolive (India) to see the highest gross margin expansion due to premiumization and pricing-led growth**



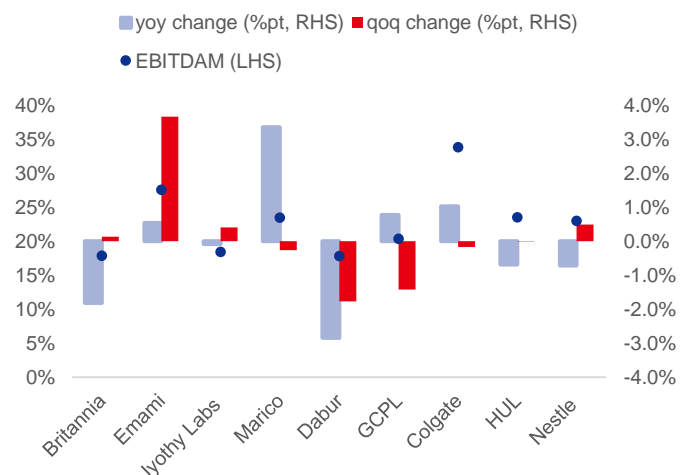
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 9: Advertising expenditure remains elevated owing to a weak demand environment...**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

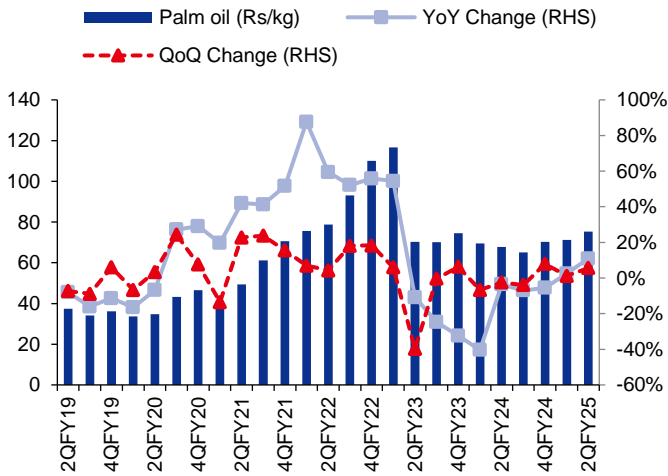
**Figure 10: ...which continues to exert pressure on the EBITDA margin of the entire FMCG pack**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

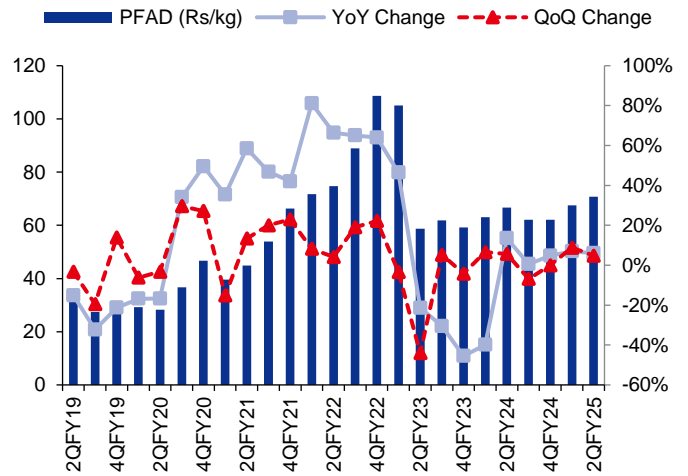
### Price movement of key raw materials

Figure 11: Palm oil prices are on a rising trend



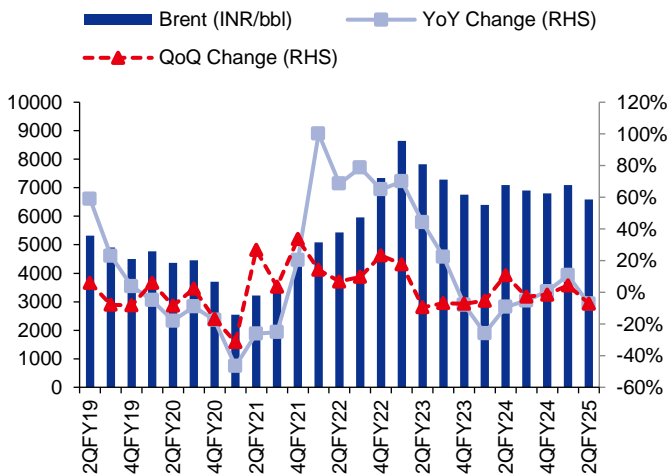
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: PFAD prices up 6% yoy in 2QFY25



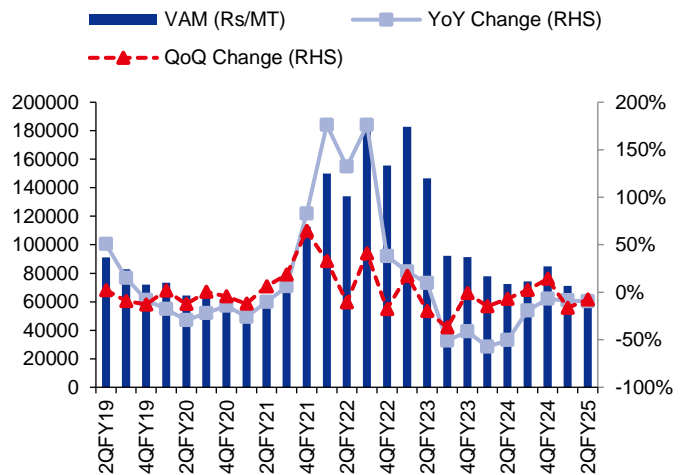
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 13: Prices of Brent crude down 7% yoy in 2QFY25



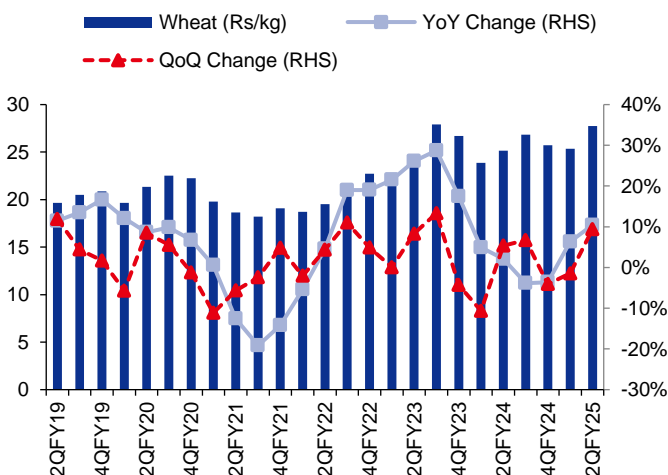
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: VAM prices down 10% yoy in 2QFY25



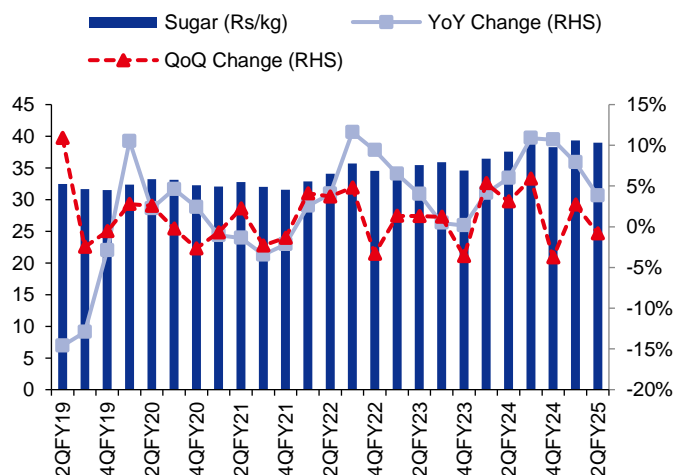
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Wheat prices up 10% yoy in 2QFY25



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: Prices of sugar up 4% yoy in 2QFY25



SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Quarterly estimates

Figure 17: 2QFY25F earnings of our coverage universe (FMCG pack)

	2QFY24	1QFY25	2QFY25F	yoy % chg	qoq % chg
<b>Britannia Industries - consolidated</b>					
Net Sales (Rs m)	44,329	42,503	47,239	6.6%	11.1%
EBITDA (Rs m)	8,724	7,537	8,439	-3.3%	12.0%
EBITDA Margin (%)	19.7%	17.7%	17.9%	-182bp	13bp
Core Net Profit (Rs m)	5,876	5,303	5,983	1.8%	12.8%
<b>Colgate-Palmolive (India) - Standalone</b>					
Net Sales (Rs m)	14,711	14,967	16,396	11.5%	9.5%
EBITDA (Rs m)	4,821	5,083	5,542	14.9%	9.0%
EBITDA Margin (%)	32.8%	34.0%	33.8%	103bp	-16bp
Core Net Profit (Rs m)	3,401	3,640	3,957	16.4%	8.7%
<b>Dabur India - Consolidated</b>					
Net Sales (Rs m)	32,038	33,491	30,519	-4.7%	-8.9%
EBITDA (Rs m)	6,609	6,550	5,429	-17.9%	-17.1%
EBITDA Margin (%)	20.6%	19.6%	17.8%	-284bp	-177bp
Core Net Profit (Rs m)	5,151	5,001	4,041	-21.5%	-19.2%
<b>Emami - Consolidated</b>					
Net Sales (Rs m)	8,649	9,061	9,163	5.9%	1.1%
EBITDA (Rs m)	2,337	2,165	2,525	8.1%	16.6%
EBITDA Margin (%)	27.0%	23.9%	27.6%	54bp	366bp
Core Net Profit (Rs m)	1,785	1,526	1,887	5.7%	23.6%
<b>Godrej Consumer Products- Consolidated</b>					
Net Sales (Rs m)	36,020	33,316	36,184	0.5%	8.6%
EBITDA (Rs m)	7,042	7,244	7,355	4.5%	1.5%
EBITDA Margin (%)	19.5%	21.7%	20.3%	78bp	-142bp
Core Net Profit (Rs m)	4,453	4,710	4,589	3.1%	-2.6%
<b>Hindustan Unilever - Standalone</b>					
Net Sales (Rs m)	1,52,760	1,53,390	1,55,163	1.6%	1.2%
EBITDA (Rs m)	36,940	36,060	36,463	-1.3%	1.1%
EBITDA Margin (%)	24.2%	23.5%	23.5%	-68bp	-1bp
Core Net Profit (Rs m)	27,220	25,860	26,465	-2.8%	2.3%
<b>Jyothy Labs - Standalone</b>					
Net Sales (Rs m)	7,323	7,418	7,905	7.9%	6.6%
EBITDA (Rs m)	1,354	1,335	1,455	7.5%	9.0%
EBITDA Margin (%)	18.5%	18.0%	18.4%	-8bp	41bp
Core Net Profit (Rs m)	1,040	1,017	1,114	7.1%	9.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: 2QFY25F earnings of our coverage universe (diversified pack)

	2QFY24	1QFY25	2QFY25F	yoy % chg	qoq % chg
<b>Marico - Consolidated</b>					
Net Sales (Rs m)	24,760	26,430	26,952	8.9%	2.0%
EBITDA (Rs m)	4,970	6,260	6,314	27.0%	0.9%
EBITDA Margin (%)	20.1%	23.7%	23.4%	335bp	-26bp
Core Net Profit (Rs m)	3,530	4,640	4,611	30.6%	-0.6%
<b>Nestle India - Standalone</b>					
Net Sales (Rs m)	50,095	47,930	53,546	6.9%	11.7%
EBITDA (Rs m)	11,935	10,827	12,377	3.7%	14.3%
EBITDA Margin (%)	23.8%	22.6%	23.1%	-71bp	53bp
Core Net Profit (Rs m)	8,017	7,466	8,513	6.2%	14.0%
<b>Titan Company - Consolidated</b>					
Net Sales (Rs m)	1,25,290	1,32,660	1,34,499	7.3%	1.4%
EBITDA (Rs m)	14,110	12,470	14,526	2.9%	16.5%
EBITDA Margin (%)	11.3%	9.4%	10.8%	-46bp	140bp
Core Net Profit (Rs m)	9,150	7,150	8,692	-5.0%	21.6%
<b>Ethos-Consolidated</b>					
Net Sales (Rs m)	2,352	2,732	2,823	20.0%	3.3%
EBITDA (Rs m)	373	433	477	28.0%	10.2%
EBITDA Margin (%)	15.8%	15.8%	16.9%	105bp	106bp
Core Net Profit (Rs m)	186	228	261	40.3%	14.4%
<b>TCPL Packaging-Consolidated</b>					
Net Sales (Rs m)	4,060	4,056	4,385	8.0%	8.1%
EBITDA (Rs m)	651	714	750	15.1%	5.0%
EBITDA Margin (%)	16.0%	17.6%	17.1%	105bp	-51bp
Core Net Profit (Rs m)	293	317	349	19.2%	10.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 19: 2QFY25F earnings of our coverage universe (paint pack)**

	2QFY24	1QFY25	2QFY25F	yoy % chg	qoq % chg
<b>Asian Paints - Consolidated</b>					
Net Sales (Rs m)	84,786	89,697	84,165	-0.7%	-6.2%
EBITDA (Rs m)	17,162	16,937	15,440	-10.0%	-8.8%
EBITDA Margin (%)	20.2%	18.9%	18.3%	-190bp	-54bp
Core Net Profit (Rs m)	12,054	11,699	10,611	-12.0%	-9.3%
<b>Berger Paints - Consolidated</b>					
Net Sales (Rs m)	27,673	30,910	28,365	2.5%	-8.2%
EBITDA (Rs m)	4,737	5,224	4,709	-0.6%	-9.9%
EBITDA Margin (%)	17.1%	16.9%	16.6%	-52bp	-30bp
Core Net Profit (Rs m)	2,916	3,536	3,059	4.9%	-13.5%
<b>Kansai Nerolac Paints - Consolidated</b>					
Net Sales (Rs m)	19,565	21,331	19,542	-0.1%	-8.4%
EBITDA (Rs m)	2,732	3,296	2,763	1.1%	-16.2%
EBITDA Margin (%)	14%	15%	14%	17bp	-132bp
Core Net Profit (Rs m)	1,772	2,308	1,886	6.4%	-18.3%
<b>Pidilite Industries - Consolidated</b>					
Net Sales (Rs m)	30,760	33,954	32,257	5%	-5.0%
EBITDA (Rs m)	6,797	8,127	7,479	10%	-8.0%
EBITDA Margin (%)	22.1%	23.9%	23.2%	109bp	-75bp
Core Net Profit (Rs m)	4,502	5,669	5,090	13.1%	-10.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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##### Stock Ratings

Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

*The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.*

##### Sector Ratings

Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

##### Country Ratings

Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.