

India

**Neutral** (no change)

**Highlighted Companies**

**Pidilite Industries**

**ADD, TP Rs3470, Rs3002 close**

We prefer Pidilite Industries over the paint pack led by a healthy medium-term outlook, continued growth in rural markets, ability to create and nurture new categories, healthy assortment and stable raw material prices.

**Britannia Industries**

**ADD, TP Rs5610, Rs4893 close**

The new route-to-market initiative of driving improved service levels in high-potential stores as well as the focus on driving balanced volume/pricing growth should, in our view, support overall growth in the medium term.

**Dabur India Ltd**

**ADD, TP Rs610, Rs508 close**

With the one-time inventory corrections in urban markets behind us and management commentary on gradually improving rural demand, we continue to prefer Dabur India.

**Summary Valuation Metrics**

P/E (x)	Mar24-A	Mar25-F	Mar26-F
Pidilite Industries	88.26	70.96	59.31
Britannia Industries	55.01	55.15	48.06
Dabur India Ltd	48.87	48.22	43.21

P/BV (x)	Mar24-A	Mar25-F	Mar26-F
Pidilite Industries	18.16	15.77	13.63
Britannia Industries	29.9	28.4	26.82
Dabur India Ltd	9.13	8.11	7.33

Dividend Yield	Mar24-A	Mar25-F	Mar26-F
Pidilite Industries	0.37%	0.58%	0.69%
Britannia Industries	1.47%	1.64%	1.87%
Dabur India Ltd	1.07%	0.94%	1.02%

# Consumer Staples - Overall

## 2Q results review: Urban woes drag growth

- While rural demand improved gradually, the slowdown in urban markets (driven by metro markets) led to a 2.1% yoy growth for our FMCG pack in 2QFY25.
- Our paint pack posted a 1.8% yoy sales decline in 2Q, largely led by weak demand for decorative paints. The industrial segment fared slightly better.
- Ethos outperformed the retail pack in 1H & should post strong growth in 2H led by festive/wedding-related demand. TCPL's export momentum picked up.

### Rural markets recover gradually while urban markets stagnate

Our staples pack (aggregate) posted a 3.3% yoy sales growth in 2QFY25. The overall demand trend continues to remain weak, with a gradual improvement in rural demand witnessed during the quarter; however, urban markets stagnated on account of weak demand, largely led by a slowdown in metro markets (35% sales salience to the FMCG industry). With nearly 51% of the urban workforce (non-salaried) under stress, coupled with some shift to new-age channels by the salaried class, its keeping urban general trade channels under pressure. Considering an inflationary environment (low to mid-single digit price hikes expected by our staples pack in FY25F), we expect organized players to regain some lost market share from unorganized/regional players. We have ADD ratings on Britannia Industries, Dabur India, Jyothy Labs, Emami, Godrej Consumer, and Marico.

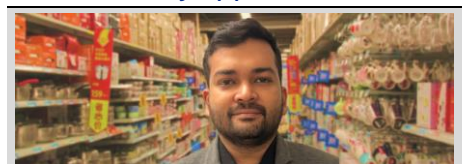
### Weak decorative demand drags overall growth of our paint pack

Our paint coverage universe (aggregate) posted a 1.8% yoy sales decline vs. our estimate of +0.9% growth in 2Q, largely led by extended monsoons, coupled with heightened competitive intensity, amidst a weak demand environment. Asian Paints/Berger Paints/Kansai Nerolac posted -3.8%/+1.2%/-0.7% sales growth, respectively, in 1HFY25. Commentary from the new entrant, Birla Opus, pointed towards confidence in achieving a high single-digit market share in FY25F on account of continued dealer onboarding (on track to hit its target of 50,000 dealers by the end of FY25F). We prefer Pidilite Industries over the paint pack due to healthy medium-term outlook on sales/volume growth, led by consistent growth in rural markets as well as stable outlook on urban demand, and favourable raw material prices providing comfort on the margin front, which places Pidilite Industries in a better position compared to the paint pack and justifies its high valuation.

### Ethos delivers superior growth; TCPL's export momentum picks up

Ethos outperformed the retail pack, growing 22.6% yoy in 1HFY25, despite a challenging environment. Strong performance in Oct 2024, coupled with a healthy outlook on festive and wedding-related demand, is expected to drive better growth in 2HFY25F. TCPL Packaging posted 14% sales growth (vs. our estimate of an 8% growth) led by strong performance in exports (c.+26%) and improvement in the domestic business. We retain our ADD rating on Ethos (TP:Rs3,400) and a high-conviction ADD rating on TCPL Packaging (TP:Rs4,250) led by continued momentum in exports (c.35% of 1HFY25 sales vs. a 30% in FY24) and pick-up in domestic growth (c.8%/6.5% growth in 2Q/1HFY25, as per our estimates).

**Research Analyst(s)**



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**Figure 1: 2QFY25 review of our consumer staples coverage universe**

Company	Revenue (Rs m)	% chg (yoy)	EBITDA (Rs m)	% chg (yoy)	Net Profit (Rs m)	% chg (yoy)
Britannia Industries	46,676	5.3%	7,834	-10.2%	5,316	-9.5%
Colgate-Palmolive (India)	16,191	10.1%	4,974	3.2%	3,951	16.2%
Dabur India	30,286	-5.5%	5,526	-16.4%	4,250	-17.5%
Emami	8,905	3.0%	2,504	7.2%	2,126	19.1%
Godrej Consumer Products	36,663	1.8%	7,596	7.9%	4,971	11.6%
Hindustan Unilever	1,55,080	1.5%	36,470	-1.3%	26,280	-3.5%
Jyothy Labs	7,338	0.2%	1,385	2.3%	1,050	1.0%
Marico	26,640	7.6%	5,220	5.0%	4,230	19.8%
Nestle India	50,748	1.3%	11,355	-4.9%	6,955	-13.2%
<b>Total</b>	<b>3,78,526</b>	<b>2.1%</b>	<b>82,863</b>	<b>-2.2%</b>	<b>59,129</b>	<b>-2.2%</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## 2Q results review: Urban woes drag growth

### Slowdown in urban markets drags overall growth

Figure 2: Rural markets continue to outpace urban markets

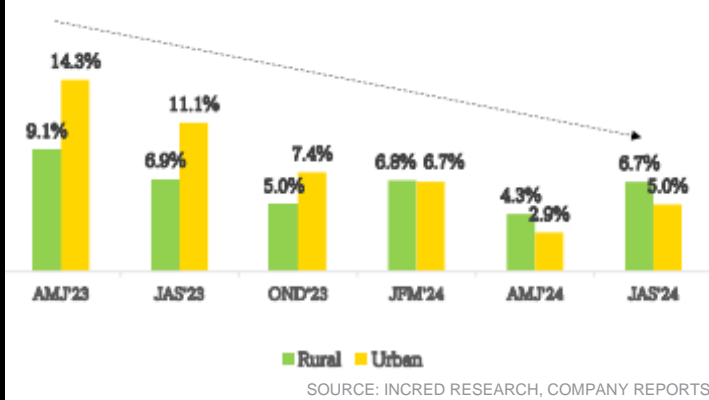


Figure 3: High inflation leading to a tepid demand environment

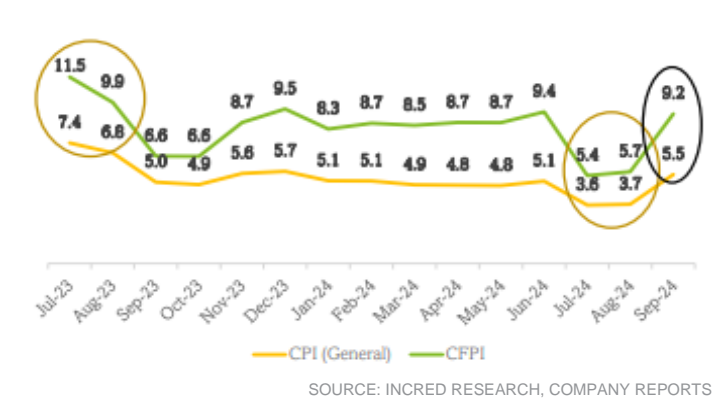


Figure 4: Slowdown in FMCG market is driven by urban markets...

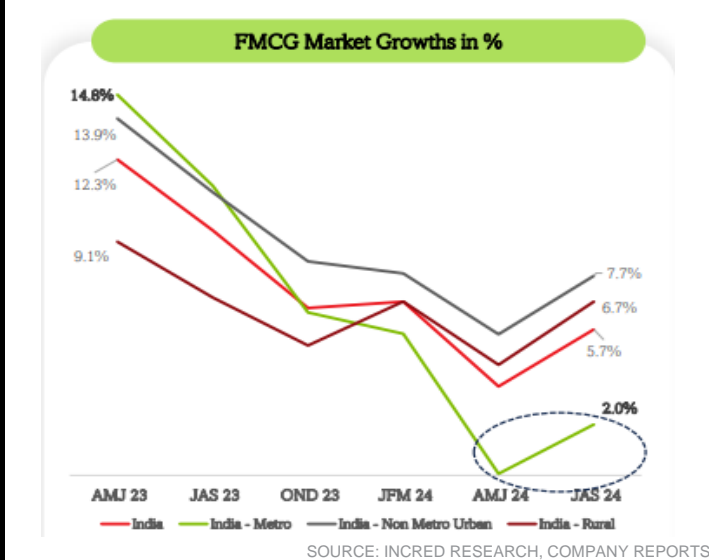


Figure 5: ...which are led by a slowdown in metro markets

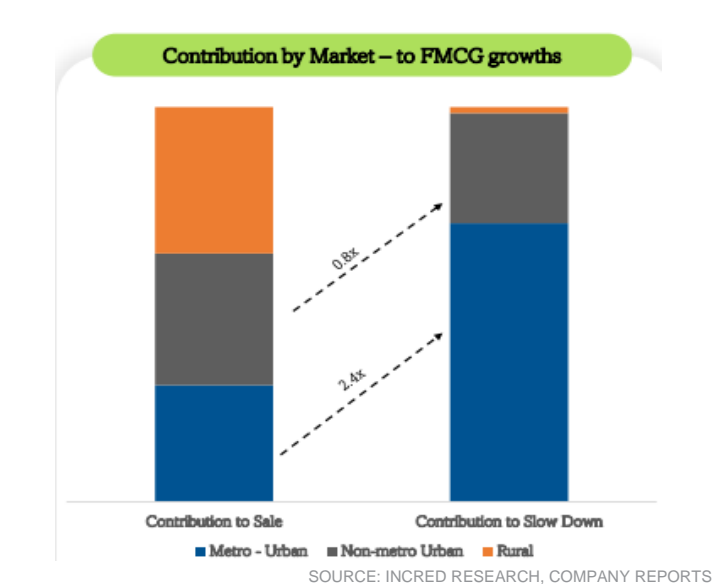


Figure 6: Housing costs account for 22% of the urban CPI basket

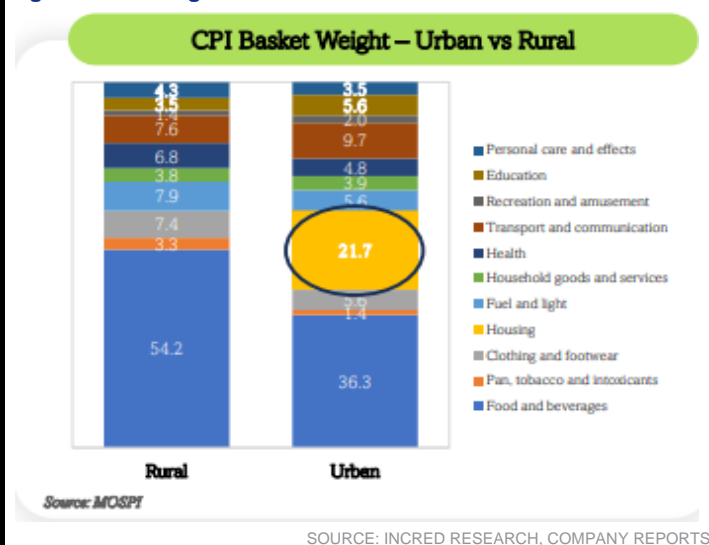
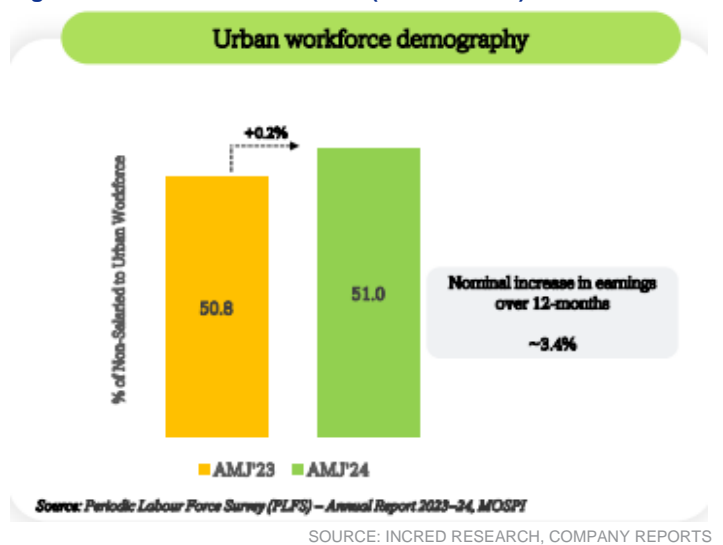


Figure 7: Non-salaried workforce (51% salience) is under stress



Quarterly consolidated results summary ➤

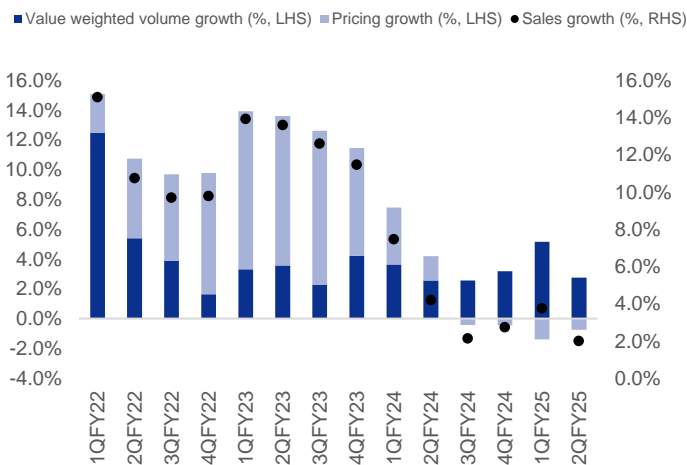
Figure 8: 2QFY25 results review of our coverage universe

Company	Revenue (Rs m)	% chg (yoy)	EBITDA (Rs m)	% chg (yoy)	Net Profit (Rs m)	% chg (yoy)
<b>Consumer staples</b>						
Britannia Industries	46,676	5.3%	7,834	-10.2%	5,316	-9.5%
Colgate-Palmolive (India)	16,191	10.1%	4,974	3.2%	3,951	16.2%
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Hindustan Unilever	1,55,080	1.5%	36,470	-1.3%	26,280	-3.5%
Jyothy Labs	7,338	0.2%	1,385	2.3%	1,050	1.0%
Marico	26,640	7.6%	5,220	5.0%	4,230	19.8%
Nestle India	50,748	1.3%	11,355	-4.9%	6,955	-13.2%
<b>Aggregate (staples)</b>	<b>3,78,526</b>	<b>2.1%</b>	<b>82,863</b>	<b>-2.2%</b>	<b>59,129</b>	<b>-2.2%</b>
<b>Consumer Discretionary</b>						
Asian Paints	80,275	-5.3%	12,394	-27.8%	8,747	-27.4%
Berger Paints	27,746	0.3%	4,342	-8.3%	2,697	-7.5%
Kansai Nerolac Paints	19,514	-0.3%	2,119	-22.4%	1,228	-30.7%
Pidilite Industries	32,349	5.2%	7,688	13.1%	5,346	18.8%
<b>Aggregate (discretionary)</b>	<b>1,59,884</b>	<b>-1.8%</b>	<b>26,543</b>	<b>-15.5%</b>	<b>18,017</b>	<b>-15.2%</b>
Titan Company	1,45,340	16.0%	12,360	-12.4%	7,040	-23.1%
Ethos	2,971	26.3%	422	13.1%	212	14.2%
TCPL Packaging	4,626	14.0%	769	18.1%	355	21.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

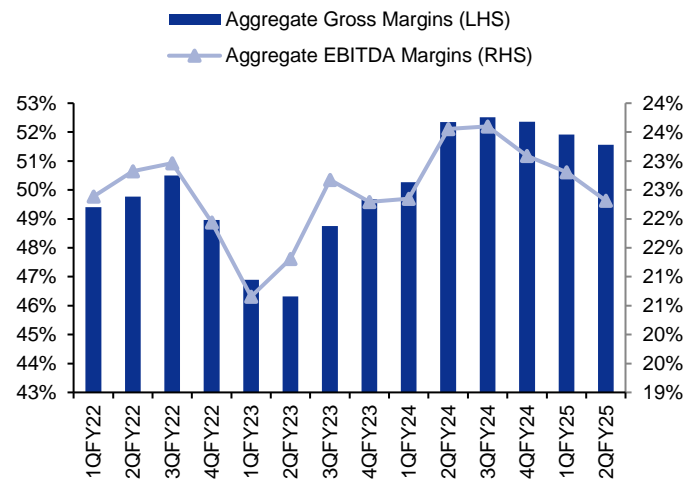
Consumer staples standalone (aggregate) – the story so far

Figure 9: The gap between value/volume growth is expected to taper off going ahead, led by price hikes



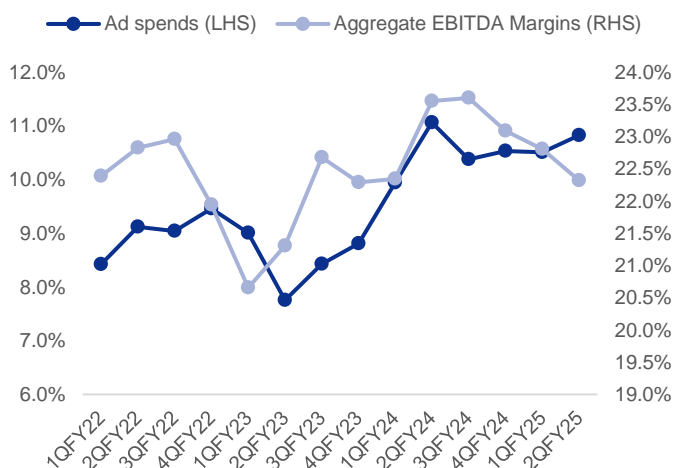
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Gross margin is lower on account of the slower pace of passing on price hikes to end-customers



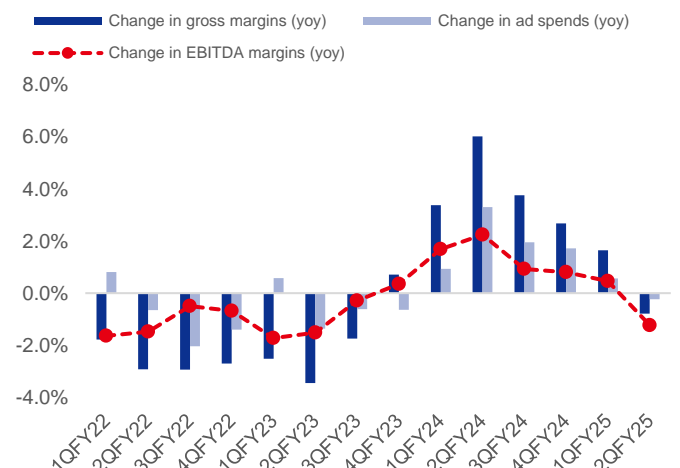
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 11: Advertising expenses are expected to remain elevated in the near term



SOURCE: INCRED RESEARCH, COMPANY REPORTS

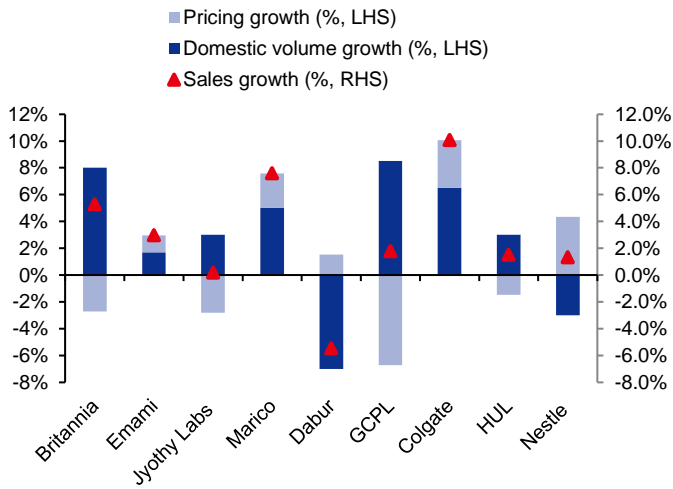
Figure 12: Elevated advertising expenditure, coupled with lower gross margin, drags the EBITDA margin



SOURCE: INCRED RESEARCH, COMPANY REPORTS

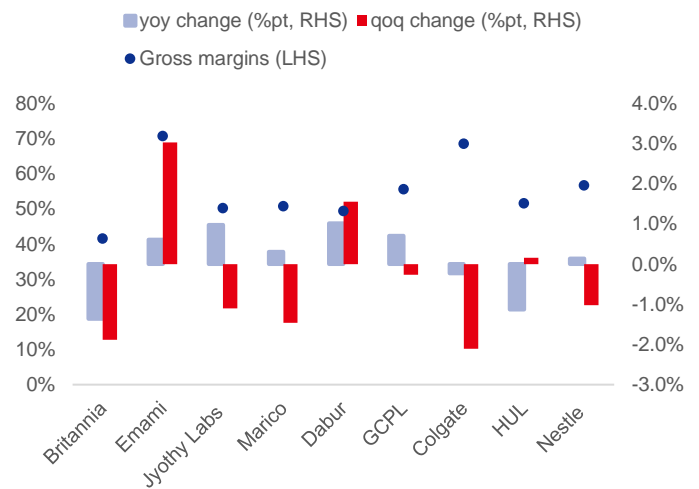
Consumer staples standalone (aggregate) – the story so far

Figure 13: Britannia Industries and GCPL posted the highest volume growth in 2QFY25



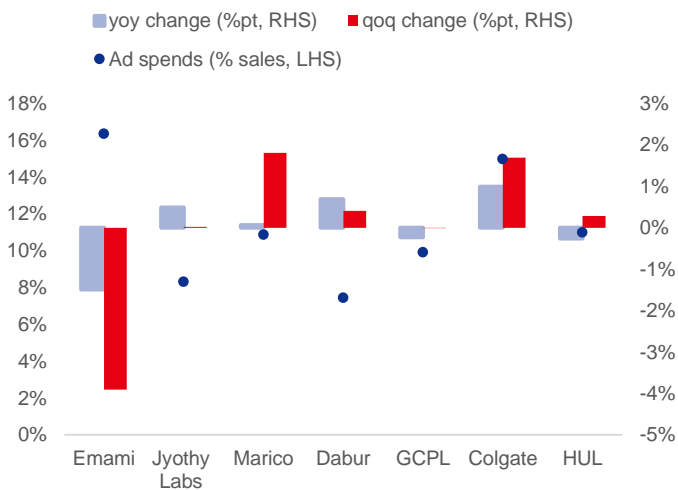
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: Britannia Industries and Hindustan Unilever posted a gross margin decline on account of the delay in passing on price hikes to customers



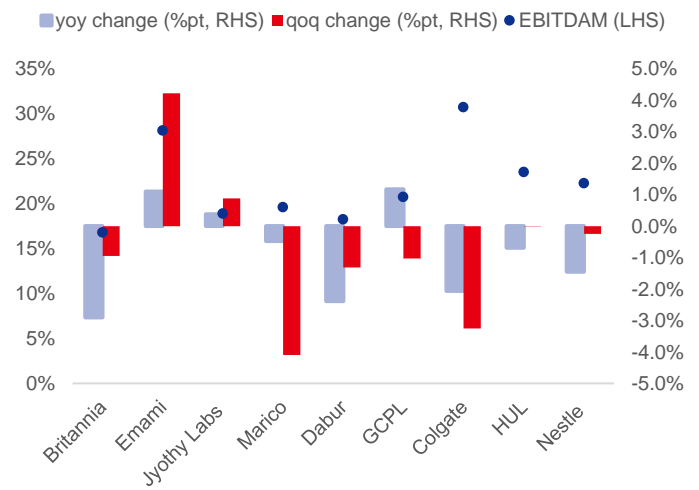
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: Advertising expenditure remains elevated for most players barring Emami, which deferred higher spending to 2H



SOURCE: INCRED RESEARCH, COMPANY REPORTS

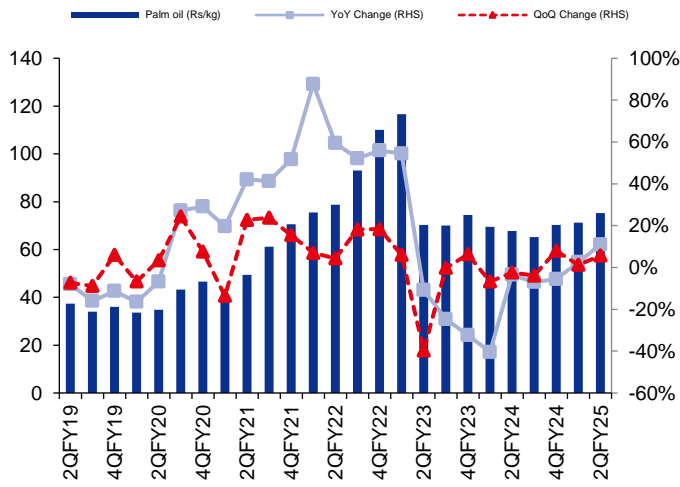
Figure 16: Barring Emami, Jyothy Labs & GCPL, all players posted an EBITDA margin contraction (yoy) in 2QFY25



SOURCE: INCRED RESEARCH, COMPANY REPORTS

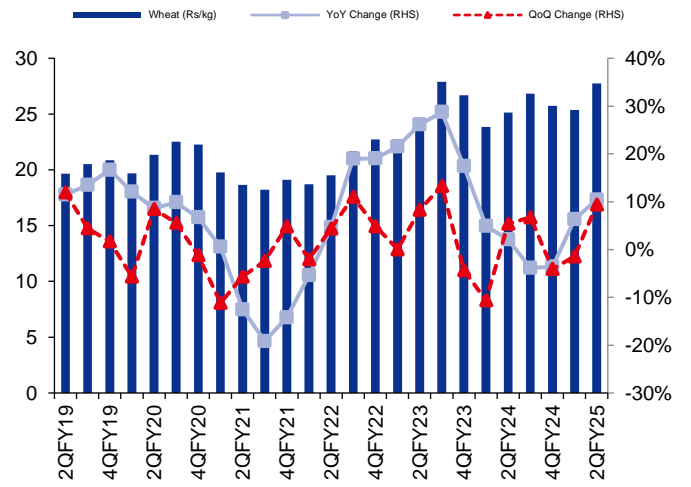
Price movement of key raw materials ➤

Figure 17: Palm oil prices were up 11% yoy in 2QFY25



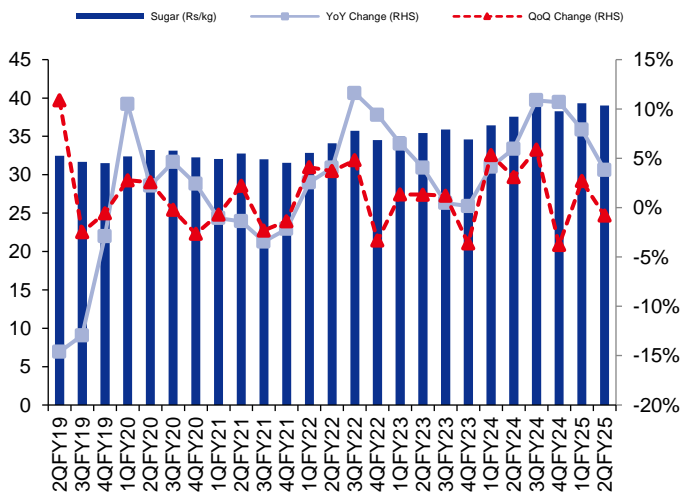
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 18: Wheat prices were up 10% yoy in 2QFY25



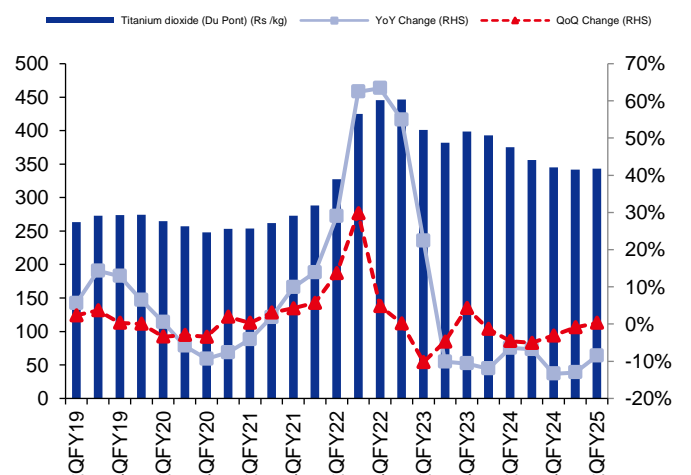
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 19: Sugar prices were up 4% yoy in 2QFY25



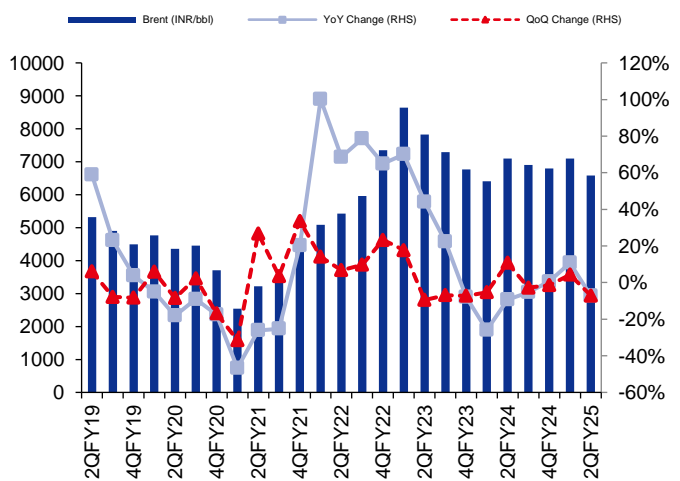
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 20: Titanium dioxide prices were down 9% yoy in 2QFY25



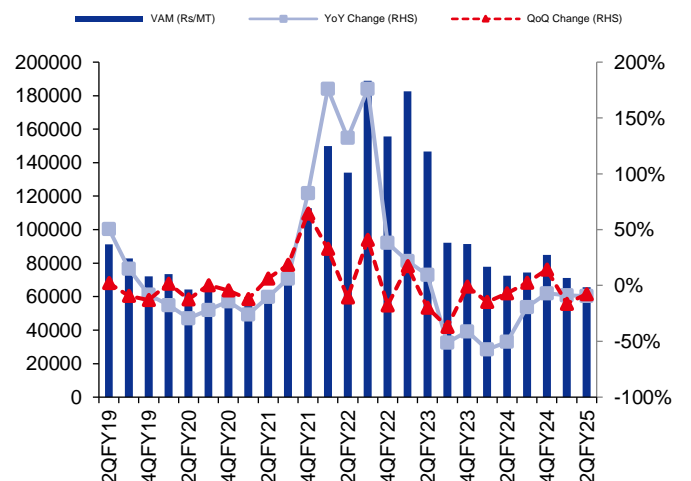
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 21: Brent crude prices were down 7% yoy in 2QFY25



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 22: Vinyl acetate monomer (VAM) prices were down 10% yoy in 2QFY25



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Quarterly consolidated results performance ➤

Figure 23: 2QFY25 results review of our coverage universe (1/3)

	2QFY24	1QFY25	2QFY25	yoy % chg	qoq % chg
<b>Britannia Industries - Consolidated</b>					
Net Sales (Rs m)	44,329	42,503	46,676	5.3%	9.8%
EBITDA (Rs m)	8,724	7,537	7,834	-10.2%	3.9%
EBITDA Margin (%)	19.7%	17.7%	16.8%	-290bp	-95bp
Core Net Profit (Rs m)	5,876	5,303	5,316	-9.5%	0.2%
<b>Colgate-Palmolive (India) - Standalone</b>					
Net Sales (Rs m)	14,711	14,967	16,191	10.1%	8.2%
EBITDA (Rs m)	4,821	5,083	4,974	3.2%	-2.2%
EBITDA Margin (%)	32.8%	34.0%	30.7%	-206bp	-325bp
Core Net Profit (Rs m)	3,401	3,640	3,951	16.2%	8.5%
<b>Dabur India - Consolidated</b>					
Net Sales (Rs m)	32,038	33,491	30,286	-5.5%	-9.6%
EBITDA (Rs m)	6,609	6,550	5,526	-16.4%	-15.6%
EBITDA Margin (%)	20.6%	19.6%	18.2%	-238bp	-131bp
Core Net Profit (Rs m)	5,151	5,001	4,250	-17.5%	-15.0%
<b>Emami - Consolidated</b>					
Net Sales (Rs m)	8,649	9,061	8,905	3.0%	-1.7%
EBITDA (Rs m)	2,337	2,165	2,504	7.2%	15.6%
EBITDA Margin (%)	27.0%	23.9%	28.1%	110bp	422bp
Core Net Profit (Rs m)	1,785	1,526	2,126	19.1%	39.3%
<b>Godrej Consumer Products - Consolidated</b>					
Net Sales (Rs m)	36,020	33,316	36,663	1.8%	10.0%
EBITDA (Rs m)	7,042	7,244	7,596	7.9%	4.9%
EBITDA Margin (%)	19.5%	21.7%	20.7%	117bp	-102bp
Core Net Profit (Rs m)	4,453	4,710	4,971	11.6%	5.5%
<b>Hindustan Unilever - Standalone</b>					
Net Sales (Rs m)	1,52,760	1,53,390	1,55,080	1.5%	1.1%
EBITDA (Rs m)	36,940	36,060	36,470	-1.3%	1.1%
EBITDA Margin (%)	24.2%	23.5%	23.5%	-66bp	1bp
Core Net Profit (Rs m)	27,220	25,860	26,280	-3.5%	1.6%
<b>Jyothy Labs - Standalone</b>					
Net Sales (Rs m)	7,323	7,418	7,338	0.2%	-1.1%
EBITDA (Rs m)	1,354	1,335	1,385	2.3%	3.7%
EBITDA Margin (%)	18.5%	18.0%	18.9%	38bp	88bp
Core Net Profit (Rs m)	1,040	1,017	1,050	1.0%	3.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 24: 2QFY25 results review of our coverage universe (2/3)

	2QFY24	1QFY25	2QFY25	yoy % chg	qoq % chg
<b>Marico - Consolidated</b>					
Net Sales (Rs m)	24,760	26,430	26,640	7.6%	0.8%
EBITDA (Rs m)	4,970	6,260	5,220	5.0%	-16.6%
EBITDA Margin (%)	20.1%	23.7%	19.6%	-48bp	-409bp
Core Net Profit (Rs m)	3,530	4,640	4,230	19.8%	-8.8%
<b>Nestle India - Standalone</b>					
Net Sales (Rs m)	50,095	47,930	50,748	1.3%	5.9%
EBITDA (Rs m)	11,935	10,827	11,355	-4.9%	4.9%
EBITDA Margin (%)	23.8%	22.6%	22.4%	-145bp	-21bp
Core Net Profit (Rs m)	8,017	7,466	6,955	-13.2%	-6.8%
<b>Titan Company - Consolidated</b>					
Net Sales (Rs m)	1,25,290	1,32,660	1,45,340	16.0%	9.6%
EBITDA (Rs m)	14,110	12,470	12,360	-12.4%	-0.9%
EBITDA Margin (%)	11.3%	9.4%	8.5%	-276bp	-90bp
Core Net Profit (Rs m)	9,150	7,150	7,040	-23.1%	-1.5%
<b>Ethos-Consolidated</b>					
Net Sales (Rs m)	2,352	2,732	2,971	26.3%	8.7%
EBITDA (Rs m)	373	433	422	13.1%	-2.6%
EBITDA Margin (%)	15.8%	15.8%	14.2%	-166bp	-165bp
Core Net Profit (Rs m)	186	228	212	14.2%	-6.8%
<b>TCPL Packaging-Consolidated</b>					
Net Sales (Rs m)	4,060	4,056	4,626	14.0%	14.1%
EBITDA (Rs m)	651	714	769	18.1%	7.7%
EBITDA Margin (%)	16.0%	17.6%	16.6%	58bp	-98bp
Core Net Profit (Rs m)	293	317	355	21.5%	12.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 25: 2QFY25 results review of our coverage universe (3/3)**

	2QFY24	1QFY25	2QFY25	yoy % chg	qoq % chg
<b>Asian Paints - Consolidated</b>					
Net Sales (Rs m)	84,786	89,697	80,275	-5.3%	-10.5%
EBITDA (Rs m)	17,162	16,937	12,394	-27.8%	-26.8%
EBITDA Margin (%)	20.2%	18.9%	15.4%	-480bp	-344bp
Core Net Profit (Rs m)	12,054	11,699	8,747	-27.4%	-25.2%
<b>Berger Paints - Consolidated</b>					
Net Sales (Rs m)	27,673	30,910	27,746	0.3%	-10.2%
EBITDA (Rs m)	4,737	5,224	4,342	-8.3%	-16.9%
EBITDA Margin (%)	17.1%	16.9%	15.6%	-147bp	-125bp
Core Net Profit (Rs m)	2,916	3,536	2,697	-7.5%	-23.7%
<b>Kansai Nerolac Paints - Consolidated</b>					
Net Sales (Rs m)	19,565	21,331	19,514	-0.3%	-8.5%
EBITDA (Rs m)	2,732	3,296	2,119	-22.4%	-35.7%
EBITDA Margin (%)	14%	15%	11%	-311bp	-459bp
Core Net Profit (Rs m)	1,772	2,308	1,228	-30.7%	-46.8%
<b>Pidilite Industries - Consolidated</b>					
Net Sales (Rs m)	30,760	33,954	32,349	5%	-4.7%
EBITDA (Rs m)	6,797	8,127	7,688	13%	-5.4%
EBITDA Margin (%)	22.1%	23.9%	23.8%	167bp	-17bp
Core Net Profit (Rs m)	4,502	5,669	5,346	18.8%	-5.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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#### Recommendation Framework

##### 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.