

India

Neutral (no change)

Highlighted Companies

Marico

ADD, TP Rs750, Rs635 close

Initiatives to address inter-channel conflicts and its target to scale up foods and D2C brands in a profitable manner augur well for Marico in the long run.

Britannia Industries

ADD, TP Rs5610, Rs4838 close

Initiatives like the new route-to-market strategy to revive growth in urban general trade, coupled with distribution expansion in rural markets, are in the right direction.

Godrej Consumer Products

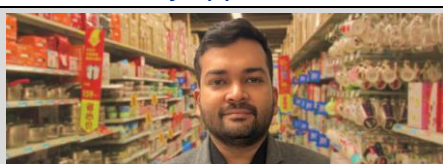
ADD, TP Rs1245, Rs1025 close

Improving execution across domestic core business and improvement in profitability in international markets should, in our view, aid in sustainable earnings expansion for Godrej Consumer Products.

Summary Valuation Metrics

P/E (x)	Mar25-F	Mar26-F	Mar27-F
Marico	53.1	46.9	41.2
Britannia Industries	54.5	47.5	42.4
Godrej Consumer Products	52.9	44.2	38.7
P/BV (x)	Mar25-F	Mar26-F	Mar27-F
Marico	16.4	14.4	12.7
Britannia Industries	28.1	26.5	25.0
Godrej Consumer Products	7.6	6.9	6.2
Dividend Yield	Mar25-F	Mar26-F	Mar27-F
Marico	1.1%	1.2%	1.4%
Britannia Industries	1.7%	1.9%	2.1%
Godrej Consumer Products	0.8%	0.9%	1.0%

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Consumer Staples - Overall

3QFY25 results review: Weakness persists

- Our FMCG pack posted 4.0% yoy sales growth in 3QFY25 (in line). Near-term pressure is expected to weigh on margin. Urban market weakness persists.
- Subdued industry demand for decorative paints and aggressive scale-up by Birla Opus is leading to market share redistribution. Retain negative stance.
- Titan Company (ADD) & Ethos (ADD) posted healthy growth led by festive demand. TCPL Packaging remains our high-conviction ADD-rated stock.

Urban market weakness continues to drag overall sales growth

Our FMCG pack (aggregate) posted 4.4% yoy sales growth in 3QFY25, in line with our estimate. Urban markets continued to remain sluggish, dragging overall growth, while rural markets continued to recover gradually. Considering the slow-moving secondary sales growth in the channel and sharp price hikes taken by companies to mitigate input cost inflation, we expect margin pressure to sustain in the near term, with price hikes continuing in 4QFY25F, which should keep volume growth in check. In terms of channel performance, urban general trade (GT) continued to remain subdued while alternate channels continued to grow in double digits. Top picks: Marico (ADD; TP: Rs750), Britannia Industries (ADD; TP: Rs5,610) and Godrej Consumer Products (ADD; TP: Rs1,245).

Weakness in decorative paints are expected to persist

Our paint pack (aggregate – ex-Pidilite Industries) posted a 3.3% sales decline (vs. our estimate of 1.4% decline yoy). While the overall demand trend remained weak in decorative paints (mid-single digit decline for the industry), incumbents stepped up focus on projects and industrial business to drive growth. The new entrant, Birla Opus, is estimated to have topped the c.Rs10bn mark, in terms of sales, in 9MFY25, implying a mid-single digit value market share. Considering the sustained weakness in demand, hyper competition in the decorative segment and with the new entrant expected to start focusing on projects and industrial business' going ahead, we expect margin pressure to sustain for all incumbent paint majors. Pidilite Industries posted 9.3% yoy growth in domestic sales, led by 9.7% volume growth, and remains our high-conviction ADD-rated stock. We have REDUCE ratings on Asian Paints and Kansai Nerolac and a HOLD rating on Berger Paints.

Retail players continue to fare better, backed by festive demand

Jewellery and luxury retailers fared well in 3QFY25, aided by healthy festive and wedding-related demand. Titan Company posted standalone jewellery sales of 25.5% (led by 22% SSSG). Caratlane's sales/SSSG grew by 27%/15% yoy. Ethos posted 31.5% yoy sales growth with a healthy EBITDA margin led by luxury and high luxury segments. Watches, as a category, have been performing well in the last few quarters (Timex/Titan watches grew by 27%/15% yoy) led by a better mix of analog watches.

TCPL Packaging continues to outperform

TCPL Packaging posted 32% yoy sales growth in 3QFY25 led by strong growth in exports (c.36% of 9M sales) and improvement in domestic sales growth. The new facility in Chennai is expected to commence operations in 4Q. We expect this momentum to sustain, supported by a gradual recovery in domestic FMCG volumes and it remains our high-conviction ADD-rated stock.

Figure 1: 3QFY25 earnings of our FMCG coverage universe

Company	Revenue (Rs m)	% chg (yoy)	EBITDA (Rs m)	% chg (yoy)	Net Profit (Rs m)	% chg (yoy)
Britannia Industries	45,926	7.9%	8,449	2.9%	5,817	4.0%
Colgate-Palmolive (India)	14,618	4.7%	4,544	-3.0%	3,228	-2.2%
Dabur India	33,553	3.1%	6,819	2.1%	5,224	1.6%
Emami	10,495	5.3%	3,387	7.6%	2,790	5.6%
Godrej Consumer Products	37,684	3.0%	7,559	-10.1%	5,041	-14.3%
Hindustan Unilever	1,54,080	1.4%	35,700	0.8%	24,920	-2.2%
Jyothy Labs	7,045	4.0%	1,158	-2.4%	874	-3.8%
Marico	27,940	15.4%	5,330	3.9%	3,990	4.2%
Nestle India	47,621	3.9%	10,503	-2.0%	6,961	-8.8%
Total	3,78,962	4.0%	83,449	-0.1%	58,844	-2.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

3QFY25 results review: Weakness persists

Quarterly results summary

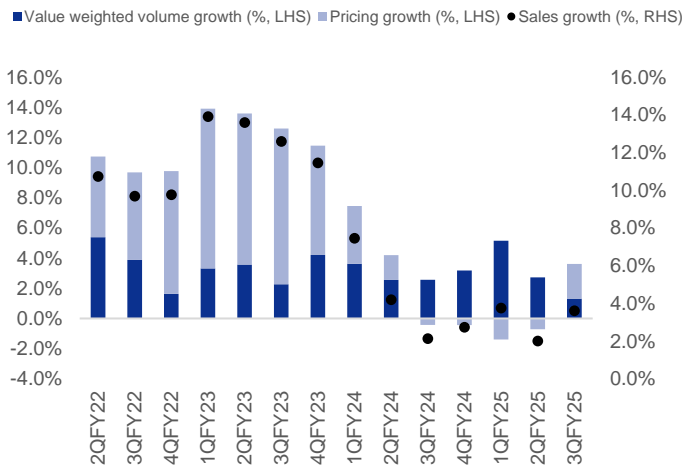
Figure 2: 3QFY25 results review of our coverage universe

Company	Revenue (Rs m)	% chg (yoy)	EBITDA (Rs m)	% chg (yoy)	Net Profit (Rs m)	% chg (yoy)
Consumer staples						
Britannia Industries	45,926	7.9%	8,449	2.9%	5,817	4.0%
Colgate-Palmolive (India)	14,618	4.7%	4,544	-3.0%	3,228	-2.2%
Dabur India	33,553	3.1%	6,819	2.1%	5,224	1.6%
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Marico	27,940	15.4%	5,330	3.9%	3,990	4.2%
Nestle India	47,621	3.9%	10,503	-2.0%	6,961	-8.8%
Aggregate (staples)	3,78,962	4.0%	83,449	-0.1%	58,844	-2.6%
Consumer Discretionary						
Asian Paints	85,494	-6.1%	16,367	-20.4%	11,104	-23.3%
Berger Paints	29,751	3.2%	4,717	-1.7%	2,951	-1.5%
Kansai Nerolac Paints	19,219	0.2%	2,351	-3.7%	514	-66.7%
Pidilite Industries	33,689	7.6%	7,984	7.5%	5,524	8.2%
Aggregate (discretionary)	1,68,153	-1.3%	31,418	-10.8%	20,093	-16.7%
Titan Company	1,77,400	25.2%	16,740	7.0%	10,470	-0.6%
Ethos	3,699	31.5%	570	28.0%	295	15.6%
TCPL Packaging	4,797	31.9%	706	29.4%	377	100.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

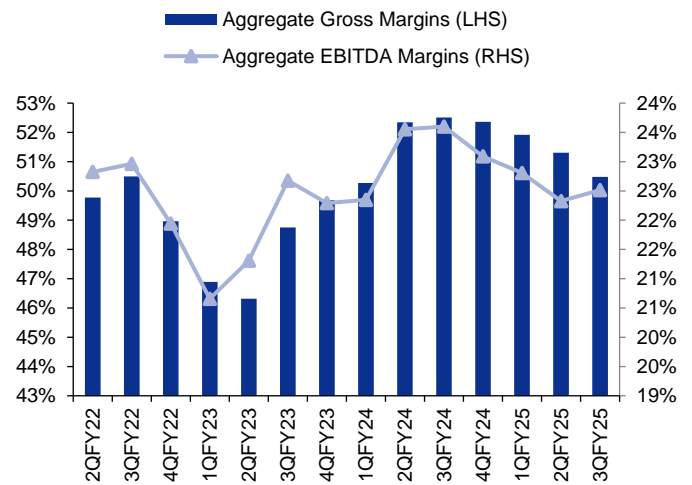
Consumer staples (aggregate) performance

Figure 3: Volume growth slowed on the back of sharp price hikes coupled with weak urban demand trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Aggregate gross margin down by 203bp yoy in 3QFY25 led by sharp increase in key raw material prices



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: FMCG majors reduced advertisement expenses to protect margins...

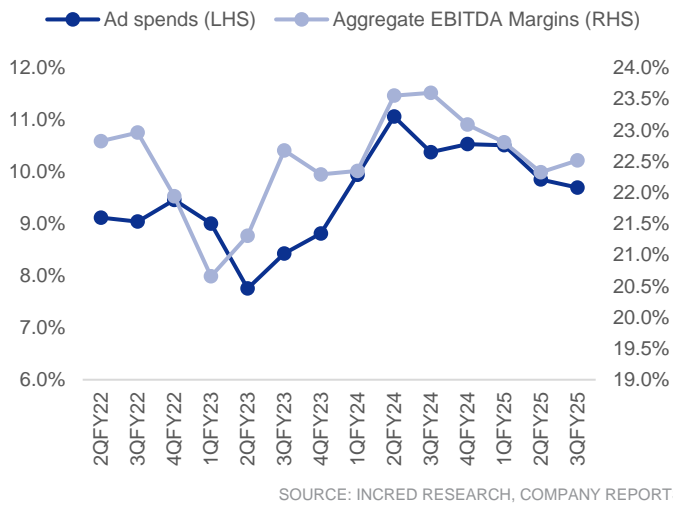
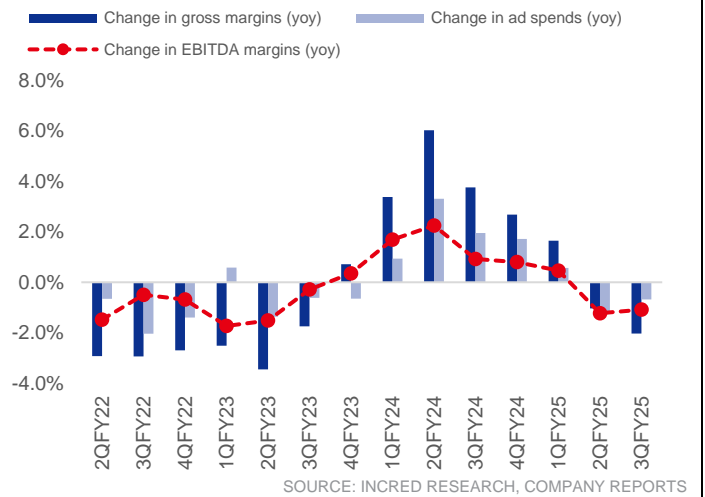


Figure 6: ...however EBITDA margin pressure persists



3QFY25 – Story in charts

Figure 7: Marico posted the highest sales growth on a low base followed by Britannia Industries

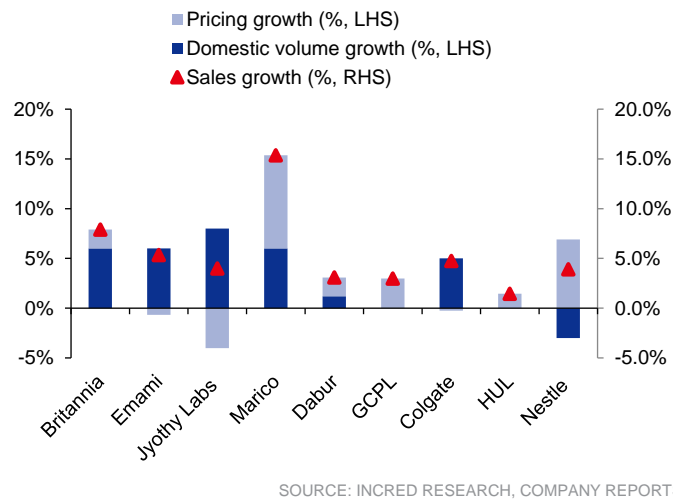


Figure 8: Only Emami reported a yoy expansion in gross margin for the quarter

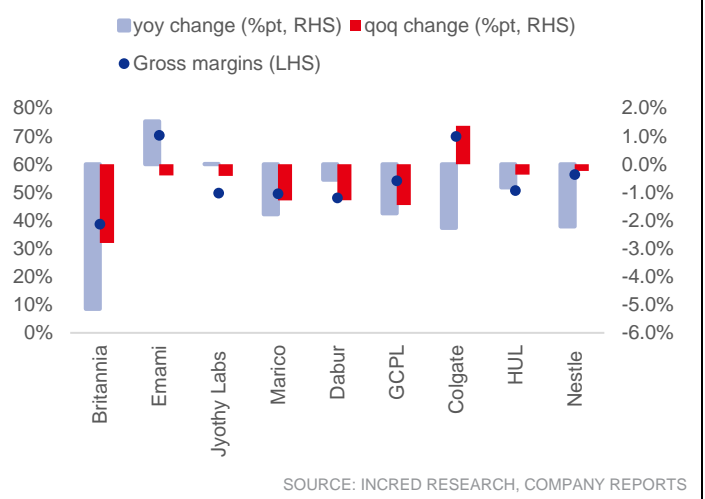


Figure 9: Dabur India, Colgate-Palmolive (India) & HUL controlled their spending on advertisements in 3Q

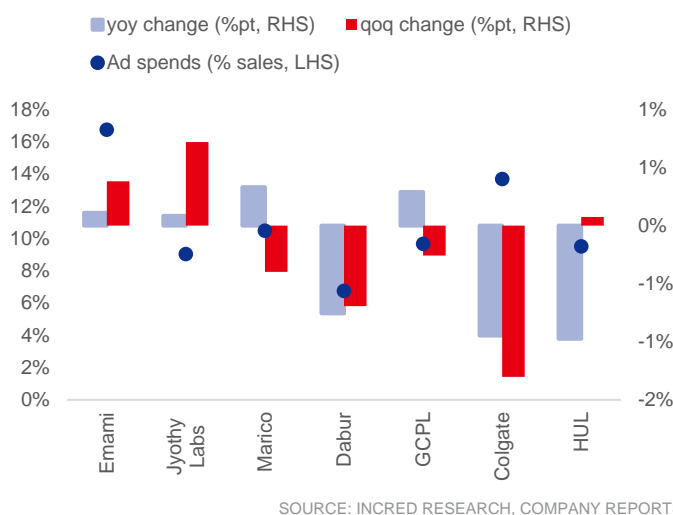
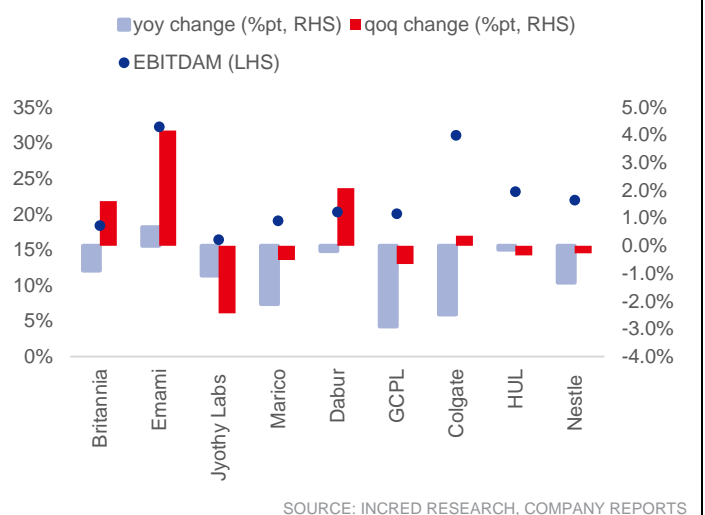


Figure 10: EBITDA margin remained under pressure for most companies



Price movement of key raw materials

Figure 11: Price movement (YoY) of key raw materials

% YoY Change	Companies impacted	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	Jan/25	Feb/25
Groundnut (Rs/kg)	Marico	2.8%	13.2%	0.2%	-9.9%	-11.1%	-18.0%	-6.6%	-8.8%	-7.9%
PFAD (Rs/kg)	HUL, GCPL, Jyothy Labs	-39.9%	13.6%	0.5%	4.8%	7.0%	6.1%	31.1%	43.2%	45.4%
Sunflower oil (Rs/kg)	Marico	-49.4%	-39.6%	-35.5%	-18.8%	1.1%	11.1%	50.7%	48.8%	49.6%
Mentha oil (Rs/kg)	Emami	-6.4%	-3.9%	-6.5%	-14.4%	-10.8%	-8.5%	-6.8%	-0.3%	0.4%
Palm oil (Rs/kg)	HUL, GCPL, Jyothy Labs, BRIT	-40.4%	-3.5%	-7.0%	-5.6%	2.5%	11.0%	42.5%	30.7%	30.3%
Refined Palm Oil Index		-45.5%	-14.3%	-11.8%	-7.8%	-1.6%	8.4%	37.2%	29.4%	25.4%
LABSA (US\$/mt)		-7.4%	-4.7%	-3.3%	-5.2%	-3.3%	5.3%	-0.5%	-7.5%	-7.0%
Tlo2, Solvents & other paints related										
Titanium dioxide (Du Pont) (Rs /kg)	Asian Paints, Berger Paints and Kansai Nerolac Paints	-12.0%	-6.5%	-6.8%	-13.4%	-13.0%	-8.6%	-3.4%	-3.5%	-1.0%
Acetic acid glacial price Rs/kg	Asian Paints, Berger Paints and Kansai Nerolac Paints	-26.6%	-13.9%	14.7%	-4.0%	1.6%	-2.5%	-17.7%	7.9%	3.4%
Brent (INR/bbl)	All companies	-25.9%	-9.3%	-5.3%	0.6%	10.8%	-7.2%	-9.3%	2.6%	-1.6%
VAM (US\$/mt)	Pidilite Industries	-59.9%	-52.2%	-20.4%	-8.0%	-10.1%	-10.7%	-12.3%	-22.2%	-22.8%
VAM (Rs/mt)	Pidilite Industries	-57.3%	-50.5%	-19.4%	-7.1%	-8.8%	-9.5%	-11.1%	-19.3%	-19.2%
China titanium dioxide (Rs/kg)	Asian Paints, Berger Paints and Kansai Nerolac Paints	-28.2%	-23.6%	-6.2%	2.5%	0.4%	3.1%	6.6%	8.5%	7.4%
Foods-related (milk, tea, coffee, etc)										
Barley (Rs/kg)	HUL, Nestle India	-35.0%	-37.2%	-32.5%	-25.1%	-0.1%	15.0%	13.3%	16.4%	20.5%
Wheat (Rs/kg)	Britannia Industries	4.9%	2.1%	-3.8%	-3.6%	6.3%	10.4%	15.3%	23.7%	23.1%
Sugar (Rs/kg)	HUL, Nestle India, Britannia Industries	4.1%	6.0%	10.9%	10.7%	7.9%	3.8%	-2.5%	2.5%	6.0%
Milk Powder Prices (Rs/ltr)	Nestle India, Britannia Industries	1.2%	-3.9%	-13.7%	-19.9%	-1.2%	-3.0%	11.1%	15.8%	25.9%
Leaf Tea - North India (Rs/kg)	HUL, Tata Consumer Products	-6.1%	-10.8%	-3.6%	-11.6%	16.1%	28.4%	20.8%	14.2%	14.4%
Leaf Tea - South India (Rs/kg)	HUL, Tata Consumer Products	10.1%	-3.1%	-11.1%	-14.1%	4.1%	27.1%	36.3%	26.0%	28.0%
Leaf Tea - All India (Rs/kg)	HUL, Tata Consumer Products	-0.8%	-10.0%	-7.6%	-11.4%	13.4%	22.6%	25.9%	16.3%	20.2%
Coffee Index	HUL, Nestle India	-1.2%	-1.2%	-5.4%	3.6%	29.8%	31.0%	36.6%	49.0%	25.3%
Packaging Material										
LDPE (Rs/kg)	All companies	-20.8%	-7.4%	-3.3%	-5.0%	3.1%	4.1%	3.2%	3.1%	4.1%
Others										
Soda ash (Rs/kg)	HUL, Jyothy Labs	-5.3%	-6.0%	-11.2%	-10.2%	-3.7%	-5.6%	-1.5%	3.5%	3.8%
Gold prices (per 10gm)	Titan Co, Kalyan Jewellers, Senco Gold	16.9%	15.7%	16.4%	11.4%	19.9%	21.8%	26.0%	26.2%	31.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 12: Price movement (MoM) of key raw materials

% M-o-M Change	Companies impacted	Jun/24	Jul/24	Aug/24	Sep/24	Oct/24	Nov/24	Dec/24	Jan/25	Feb/25
Groundnut (Rs/kg)	Marico	-0.8%	5.5%	-2.4%	0.4%	-1.4%	-0.3%	-2.9%	-2.4%	-4.2%
PFAD (Rs/kg)	HUL, GCPL, Jyothy Labs	2.5%	1.5%	1.3%	1.0%	7.3%	6.9%	4.6%	-0.1%	3.0%
Sunflower oil (Rs/kg)	Marico	5.5%	-0.1%	-0.6%	15.8%	16.2%	9.0%	-3.8%	-0.9%	-0.2%
Mentha oil (Rs/kg)	Emami	-4.8%	1.1%	3.2%	-1.0%	-1.8%	0.3%	1.3%	1.4%	0.0%
Palm oil (Rs/kg)	HUL, GCPL, Jyothy Labs, Britannia Industries	2.0%	2.5%	3.8%	6.1%	9.6%	10.4%	0.4%	-7.6%	0.3%
Refined Palm Oil Index		2.4%	2.1%	4.2%	4.6%	2.2%	19.1%	0.9%	-8.2%	-2.0%
Tlo2, solvents & other paints- related items										
Titanium dioxide (Du Pont) (Rs /kg)	Asian Paints, Berger Paints and Kansai Nerolac Paints	-0.3%	-0.4%	-0.5%	2.2%	0.8%	-2.0%	-1.2%	0.4%	0.0%
Acetic acid glacial price Rs/kg	Asian Paints, Berger Paints and Kansai Nerolac Paints	-2.3%	-3.0%	0.4%	-5.3%	2.2%	2.8%	2.9%	5.7%	-0.2%
Brent (INR/bbl)	All companies	0.2%	1.3%	-5.7%	-7.7%	4.1%	-2.7%	0.5%	8.7%	-1.5%
VAM (US\$/mt)	Pidilite Industries	-6.4%	0.2%	-0.3%	-4.3%	2.8%	-0.2%	1.1%	-0.6%	0.0%
VAM (Rs/mt)	Pidilite Industries	-6.3%	0.4%	0.1%	-4.4%	3.1%	0.2%	1.9%	0.8%	0.7%
China titanium dioxide (Rs/kg)	Asian Paints, Berger Paints, and Kansai Nerolac Paints	-0.8%	0.6%	-0.2%	5.5%	-1.4%	-1.2%	0.3%	1.8%	0.0%
Foods-related (milk, tea, coffee, etc)										
Barley (Rs/kg)	HUL, Nestle India	1.9%	0.2%	3.2%	5.4%	2.5%	1.2%	-0.2%	1.0%	-0.6%
Wheat (Rs/kg)	Britannia Industries	5.6%	1.1%	3.4%	4.0%	5.9%	2.8%	-1.1%	4.7%	-5.5%
Sugar (Rs/kg)	HUL, Nestle India, Britannia Industries	-1.4%	-1.5%	2.3%	-1.5%	2.5%	-2.7%	-2.8%	5.1%	2.0%
Leaf Tea - North India (Rs/kg)	HUL, Tata Consumer Products	9.6%	3.5%	-0.9%	2.6%	-3.0%	-8.4%	-18.1%	-15.8%	-8.7%
Leaf Tea - South India (Rs/kg)	HUL, Tata Consumer Products	8.3%	-7.2%	6.7%	19.2%	6.4%	-11.1%	-3.2%	1.7%	0.2%
Leaf Tea - All India (Rs/kg)	HUL, Tata Consumer Products	10.2%	-11.7%	18.0%	6.9%	-9.9%	-1.6%	-15.1%	-13.4%	-7.6%
Packaging Material										
LDPE (Rs/kg)	All companies	2.7%	-0.2%	-2.5%	-3.0%	1.1%	1.7%	-1.4%	1.9%	1.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Quarterly performance

Figure 13: 3QFY25 results review of our coverage universe (1/3)

	3QFY24	2QFY25	3QFY25	yoy % chg	qoq % chg
Britannia Industries - Consolidated					
Net Sales (Rs m)	42,563	46,676	45,926	7.9%	-1.6%
EBITDA (Rs m)	8,211	7,834	8,449	2.9%	7.9%
EBITDA Margin (%)	19.3%	16.8%	18.4%	-89bp	161bp
Core Net Profit (Rs m)	5,593	5,316	5,817	4.0%	9.4%
Colgate-Palmolive (India) - Standalone					
Net Sales (Rs m)	13,957	16,191	14,618	4.7%	-9.7%
EBITDA (Rs m)	4,684	4,974	4,544	-3.0%	-8.6%
EBITDA Margin (%)	33.6%	30.7%	31.1%	-248bp	36bp
Core Net Profit (Rs m)	3,301	3,951	3,228	-2.2%	-18.3%
Dabur India - Consolidated					
Net Sales (Rs m)	32,551	30,286	33,553	3.1%	10.8%
EBITDA (Rs m)	6,678	5,526	6,819	2.1%	23.4%
EBITDA Margin (%)	20.5%	18.2%	20.3%	-19bp	208bp
Core Net Profit (Rs m)	5,142	4,250	5,224	1.6%	22.9%
Emami - Consolidated					
Net Sales (Rs m)	9,963	8,905	10,495	5.3%	17.9%
EBITDA (Rs m)	3,149	2,504	3,387	7.6%	35.3%
EBITDA Margin (%)	31.6%	28.1%	32.3%	67bp	416bp
Core Net Profit (Rs m)	2,643	2,126	2,790	5.6%	31.2%
Godrej Consumer Products - Consolidated					
Net Sales (Rs m)	36,596	36,663	37,684	3.0%	2.8%
EBITDA (Rs m)	8,407	7,596	7,559	-10.1%	-0.5%
EBITDA Margin (%)	23.0%	20.7%	20.1%	-291bp	-66bp
Core Net Profit (Rs m)	5,880	4,971	5,041	-14.3%	1.4%
Hindustan Unilever - Standalone					
Net Sales (Rs m)	1,51,880	1,55,080	1,54,080	1.4%	-0.6%
EBITDA (Rs m)	35,400	36,470	35,700	0.8%	-2.1%
EBITDA Margin (%)	23.3%	23.5%	23.2%	-14bp	-35bp
Core Net Profit (Rs m)	25,490	26,280	24,920	-2.2%	-5.2%
Jyothy Labs - Standalone					
Net Sales (Rs m)	6,775	7,338	7,045	4.0%	-4.0%
EBITDA (Rs m)	1,186	1,385	1,158	-2.4%	-16.4%
EBITDA Margin (%)	17.5%	18.9%	16.4%	-108bp	-244bp
Core Net Profit (Rs m)	909	1,050	874	-3.8%	-16.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 14: 3QFY25 results review of our coverage universe (2/3)

	3QFY24	2QFY25	3QFY25	yoy % chg	qoq % chg
Marico - Consolidated					
Net Sales (Rs m)	24,220	26,640	27,940	15.4%	4.9%
EBITDA (Rs m)	5,130	5,220	5,330	3.9%	2.1%
EBITDA Margin (%)	21.2%	19.6%	19.1%	-210bp	-52bp
Core Net Profit (Rs m)	3,830	4,230	3,990	4.2%	-5.7%
Nestle India - Standalone					
Net Sales (Rs m)	45,836	50,748	47,621	3.9%	-6.2%
EBITDA (Rs m)	10,722	11,355	10,503	-2.0%	-7.5%
EBITDA Margin (%)	23.4%	22.4%	22.1%	-134bp	-32bp
Core Net Profit (Rs m)	7,629	6,955	6,961	-8.8%	0.1%
Titan Company - Consolidated					
Net Sales (Rs m)	1,41,640	1,45,340	1,77,400	25.2%	22.1%
EBITDA (Rs m)	15,650	12,360	16,740	7.0%	35.4%
EBITDA Margin (%)	11.0%	8.5%	9.4%	-161bp	93bp
Core Net Profit (Rs m)	10,530	7,040	10,470	-0.6%	48.7%
Ethos-Consolidated					
Net Sales (Rs m)	2,812	2,971	3,699	31.5%	24.5%
EBITDA (Rs m)	445	422	570	28.0%	35.3%
EBITDA Margin (%)	15.8%	14.2%	15.4%	-42bp	123bp
Core Net Profit (Rs m)	255	212	295	15.6%	38.8%
TCPL Packaging - Consolidated					
Net Sales (Rs m)	3,636	4,626	4,797	31.9%	3.7%
EBITDA (Rs m)	546	769	706	29.4%	-8.2%
EBITDA Margin (%)	15.0%	16.6%	14.7%	-29bp	-191bp
Core Net Profit (Rs m)	188	355	377	100.8%	6.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 15: 3QFY25 results review of our coverage universe (3/3)

	3QFY24	2QFY25	3QFY25	yoy % chg	qoq % chg
Asian Paints - Consolidated					
Net Sales (Rs m)	91,031	80,275	85,494	-6.1%	6.5%
EBITDA (Rs m)	20,561	12,394	16,367	-20.4%	32.0%
EBITDA Margin (%)	22.6%	15.4%	19.1%	-344bp	370bp
Core Net Profit (Rs m)	14,477	8,747	11,104	-23.3%	26.9%
Berger Paints - Consolidated					
Net Sales (Rs m)	28,818	27,746	29,751	3.2%	7.2%
EBITDA (Rs m)	4,800	4,342	4,717	-1.7%	8.6%
EBITDA Margin (%)	16.7%	15.6%	15.9%	-80bp	21bp
Core Net Profit (Rs m)	2,997	2,697	2,951	-1.5%	9.4%
Kansai Nerolac Paints - Consolidated					
Net Sales (Rs m)	19,187	19,514	19,219	0.2%	-1.5%
EBITDA (Rs m)	2,440	2,119	2,351	-3.7%	10.9%
EBITDA Margin (%)	13%	11%	12%	-49bp	137bp
Core Net Profit (Rs m)	1,543	1,228	514	-66.7%	-58.2%
Pidilite Industries - Consolidated					
Net Sales (Rs m)	31,300	32,349	33,689	7.6%	4.1%
EBITDA (Rs m)	7,425	7,688	7,984	7.5%	3.8%
EBITDA Margin (%)	23.7%	23.8%	23.7%	-2bp	-7bp
Core Net Profit (Rs m)	5,105	5,346	5,524	8.2%	3.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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- 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.

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