

India

**Neutral** (no change)

# Consumer Staples - Overall

## 4QFY25 results preview: Weakness persists

- Our FMCG pack (aggregate) is expected to post 4% yoy sales growth in 4QFY25F. Margin pressure is likely to sustain due to sharp input cost inflation.
- Titan is likely to post 24.9% yoy sales growth led by 25% growth in the jewellery business while Ethos is expected to post 30%/20% sales/SSSG growth.
- We prefer Marico, GCPL & Britannia among FMCG players and have an ADD rating on Titan. TCPL Packaging, and Ethos remain our high-conviction picks.

### Persistent weakness in urban markets continues to drag growth

We expect our FMCG pack (aggregate) to post 4% yoy sales growth in 4QFY25F, with weakness in urban markets persisting while rural markets continue to post relatively better growth. Volume growth is expected in low-mid single digits. Our channel check also points towards sustained pressure on urban general trade (GT) while alternate channels like modern trade, e-commerce and quick commerce continue to maintain their strong growth momentum. A key development to monitor is the petition filed by the All-India Consumer Products Distributors Federation (AICPDF) with the Competition Commission of India (CCI) against quick commerce players. The AICPDF has also sought meetings with leading FMCG companies later this month and has threatened non-cooperation if fair competition with traditional trade is not ensured. Our top picks are Marico, Godrej Consumer Products, and Britannia Industries (BIL).

### Sharp rise in input costs should keep margin under pressure

Considering the weak demand environment and sharp inflation in key raw material prices, we expect the consumer downtrading trend to continue. The sharp rise in the prices of key raw materials like edible oil, PFAD, paraffin wax, wheat, tea and coffee will necessitate further price hikes, which are being phased out by companies due to weak overall demand. These factors, coupled with heightened advertising and promotional expenses, should lead to EBITDA margin contraction for most FMCG companies in our coverage universe.

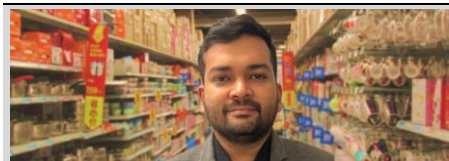
### The retail pack is expected to post healthy growth with stable margin

Jewellery retailers like Titan Company (Titan) are expected to post 24.9% yoy consolidated sales growth led by 25% growth in the jewellery business and 22%/19% growth in watches/eyecare business, respectively. Caratlane grew 22% yoy. Due to weakness in sub-Rs100k price points, buyer growth is expected to be lower during the quarter. The EBITDA margin is expected to contract 30bp yoy to 9.3% for the quarter. Ethos is expected to post 30%/20% sales/SSSG, respectively, led by continued momentum in luxury & high-luxury categories. Its EBITDA margin is expected to expand 20bp yoy to 14.4%. Adverse GST outcome remains an overhang. We have a high conviction ADD rating on Ethos.

### TCPL Packaging is expected to clock 12.7% yoy sales growth

We expect TCPL Packaging to post 12.7% yoy sales growth in 4QFY25F led by 14.5% yoy growth in domestic sales (+18.7% yoy in 3QFY25) and 9% yoy sales growth in the export business (+9.8% yoy in 4QFY24). TCPL Packaging remains our high-conviction ADD-rated stock as a strong proxy play to the FMCG sector.

#### Research Analyst(s)

**Rohan KALLE**

T (91) 22 4161 1561

E rohan.kalle@incredresearch.com

**Nishant BAGRECHA**

T (91) 22 4161 1564

E nishant.bagrecha@incredresearch.com

**Saurabh SINGH**

T (91) 2241611558

E saurabh.singh@incredresearch.com

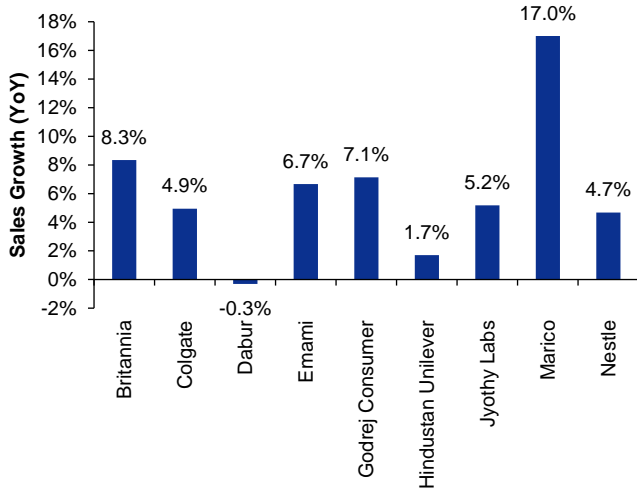
**Figure 1: 4QFY25 results preview of our coverage universe**

Company	Revenue (Rs m)	% chg (yoy)	EBITDA (Rs m)	% chg (yoy)	Net Profit (Rs m)	% chg (yoy)
<b>Consumer staples</b>						
Britannia Industries	44,089	8.3%	7,156	-9.1%	4,851	-9.9%
Colgate-Palmolive (India)	15,637	4.9%	5,223	-1.9%	3,745	-1.4%
Dabur India	28,059	-0.3%	4,189	-10.3%	3,042	-13.0%
Emami	9,507	6.7%	2,205	4.5%	1,721	15.6%
Godrej Consumer Products	36,264	7.1%	7,487	-0.9%	4,799	-0.4%
Hindustan Unilever	1,51,104	1.7%	35,207	2.5%	25,216	4.1%
Jyothy Laboratories	6,941	5.2%	1,125	3.8%	798	2.1%
Marico	26,653	17.0%	4,530	2.5%	3,437	8.1%
Nestle India	55,003	4.7%	12,802	-3.2%	8,927	-3.4%
<b>Aggregate (staples)</b>	<b>3,73,257</b>	<b>4.0%</b>	<b>79,925</b>	<b>-0.1%</b>	<b>56,535</b>	<b>-2.6%</b>
<b>Retail/Packaging</b>						
Titan Company	1,56,086	24.9%	14,438	21.3%	8,691	12.9%
Ethos	3,283	30.0%	474	31.8%	226	7.6%
TCPL Packaging	4,516	12.7%	700	-0.5%	217	-25.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

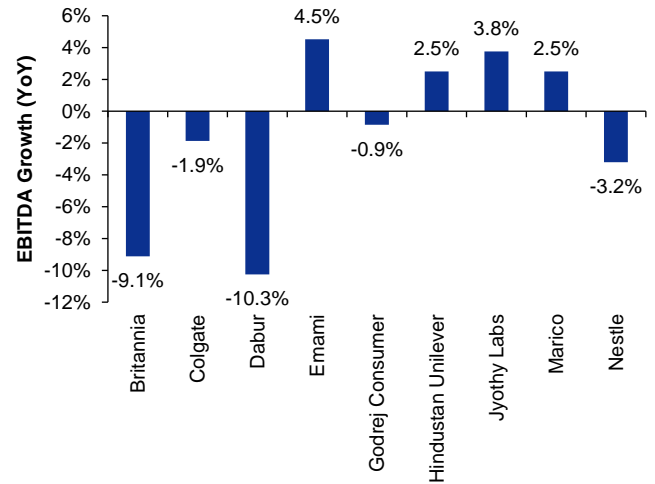
## 4QFY25 results preview: Weakness persists

**Figure 2: Marico is expected to post the highest growth, followed by Britannia Industries and GCPL**



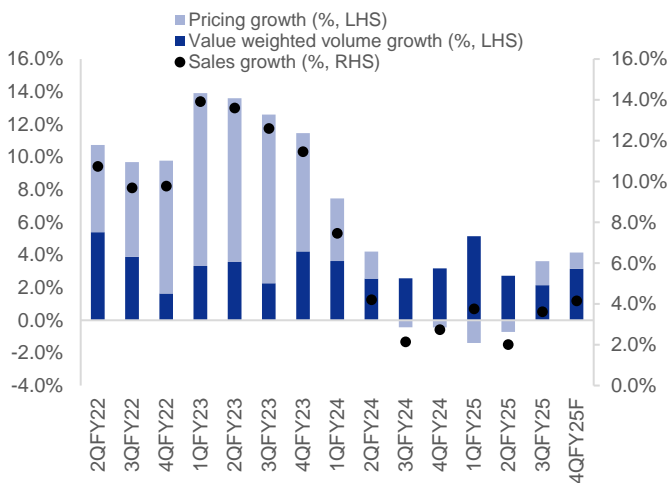
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Large players are expected to witness higher pressure on their EBITDA growth**



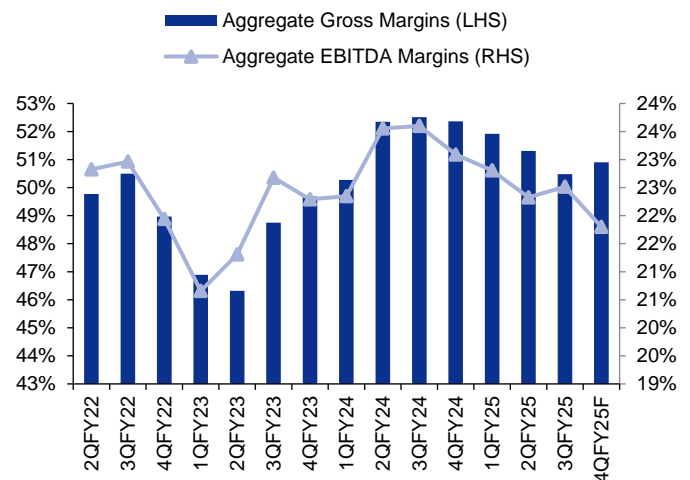
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Sales growth (aggregate) is expected to be led by price hikes**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Phasing out price hikes and overall weak volume/mix should keep margins under pressure**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Key raw material prices remain elevated on a yoy basis

% YoY Change	Companies impacted	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	Jan/25	Feb/25	Mar/25
Groundnut (Rs/kg)	Marico	-9.9%	-11.1%	-18.0%	-6.6%	-7.0%	-8.8%	-4.7%	-7.4%
PFAD (Rs/kg)	HUL, GCPL, Jyothy Labs	4.8%	7.0%	6.1%	31.1%	45.1%	43.2%	53.3%	40.0%
Sunflower oil (Rs/kg)	Marico	-18.8%	1.1%	11.1%	50.7%	52.3%	48.8%	56.5%	52.1%
Mentha oil (Rs/kg)	Emami	-14.4%	-10.8%	-8.5%	-6.8%	-0.9%	-0.3%	0.0%	-2.4%
Paraffin wax (Rs/kg)	Bajaj Consumer, Marico, and Dabur India	-8.3%	-10.8%	17.3%	29.2%	23.8%	18.8%	25.6%	27.2%
Palm oil (Rs/kg)	HUL, GCPL, Jyothy Labs, and Britannia Ind.	-5.6%	2.5%	11.0%	42.5%	29.6%	30.7%	35.9%	23.2%
Refined Palm Oil Index		-7.8%	-1.6%	8.4%	37.2%	25.0%	29.4%	29.1%	17.6%
LABSA (US\$/mt)		-5.2%	-3.3%	5.3%	-0.5%	-5.4%	-7.5%	-6.0%	-2.7%
<b>Tlo2, solvents &amp; other paints- related</b>									
Titanium dioxide (Du Pont) (Rs /kg)	Asian Paints, Berger, Paints and Kansai Nerolac Paints	-13.4%	-13.0%	-8.6%	-3.4%	-2.3%	-3.5%	-1.0%	-2.2%
Acetic acid glacial price Rs/kg	Asian Paints, Berger Paints, and Kansai Nerolac Paints	-4.0%	1.6%	-2.5%	-17.7%	4.0%	7.9%	3.0%	1.2%
Brent crude (INR/bbl)	All companies	0.6%	10.8%	-7.2%	-9.3%	-4.5%	2.6%	-3.5%	-12.0%
VAM (US\$/mt)	Pidilite Industries	-8.0%	-10.1%	-10.7%	-12.3%	-21.7%	-22.2%	-22.2%	-20.8%
VAM (Rs/mt)	Pidilite Industries	-7.1%	-8.8%	-9.5%	-11.1%	-18.3%	-19.2%	-18.4%	-17.5%
China titanium dioxide (Rs/kg)	Asian Paints, Berger Paints, and Kansai Nerolac Paints	2.5%	0.4%	3.1%	6.6%	7.1%	8.5%	7.4%	5.5%
<b>Foods-related (milk, tea, coffee, etc)</b>									
Barley (Rs/kg)	HUL, Nestle India	-25.1%	-0.1%	15.0%	13.3%	17.9%	16.4%	20.4%	17.2%
Wheat (Rs/kg)	Britannia Industries	-3.6%	6.3%	10.4%	15.3%	20.7%	23.7%	29.0%	10.4%
Sugar (Rs/kg)	HUL, Nestle, Britannia Industries	10.7%	7.9%	3.8%	-2.5%	6.5%	2.5%	7.7%	9.4%
Milk powder prices (Rs/ltr)	Nestle India, Britannia Industries	-19.9%	-1.2%	-3.0%	11.1%	22.7%	15.8%	25.2%	27.6%
Leaf tea - North India (Rs/kg)	HUL, Tata Consumer Products	-11.6%	16.1%	28.4%	20.8%	73.5%	14.2%	19.8%	22.7%
Leaf tea - South India (Rs/kg)	HUL, Tata Consumer Products	-14.1%	4.1%	27.1%	36.3%	30.1%	26.0%	27.1%	18.9%
Leaf tea - All India (Rs/kg)	HUL, Tata Consumer Products	-11.4%	13.4%	22.6%	25.9%	64.5%	16.3%	20.5%	17.1%
Coffee Index	HUL, Nestle India	3.6%	29.8%	31.0%	40.7%	69.4%	67.9%	53.0%	85.3%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 7: 4QFY25 results preview of our coverage universe (1/2)

	4QFY24	3QFY25	4QFY25F	yoy % chg	qoq % chg
<b>Britannia Industries - Consolidated</b>					
Net Sales (Rs m)	40,694	45,926	44,089	8.3%	-4.0%
EBITDA (Rs m)	7,874	8,449	7,156	-9.1%	-15.3%
EBITDA Margin (%)	19.4%	18.4%	16.2%	-312bp	-217bp
Core Net Profit (Rs m)	5,383	5,817	4,851	-9.9%	-16.6%
<b>Colgate-Palmolive (India) - Standalone</b>					
Net Sales (Rs m)	14,900	14,618	15,637	4.9%	7.0%
EBITDA (Rs m)	5,322	4,544	5,223	-1.9%	14.9%
EBITDA Margin (%)	35.7%	31.1%	33.4%	-232bp	232bp
Core Net Profit (Rs m)	3,798	3,228	3,745	-1.4%	16.0%
<b>Dabur India - Consolidated</b>					
Net Sales (Rs m)	28,146	33,553	28,059	-0.3%	-16.4%
EBITDA (Rs m)	4,668	6,819	4,189	-10.3%	-38.6%
EBITDA Margin (%)	16.6%	20.3%	14.9%	-166bp	-539bp
Core Net Profit (Rs m)	3,495	5,224	3,042	-13.0%	-41.8%
<b>Emami - Consolidated</b>					
Net Sales (Rs m)	8,912	10,495	9,507	6.7%	-9.4%
EBITDA (Rs m)	2,110	3,387	2,205	4.5%	-34.9%
EBITDA Margin (%)	23.7%	32.3%	23.2%	-48bp	-908bp
Core Net Profit (Rs m)	1,489	2,790	1,721	15.6%	-38.3%
<b>Godrej Consumer Products - Consolidated</b>					
Net Sales (Rs m)	33,850	37,684	36,264	7.1%	-3.8%
EBITDA (Rs m)	7,551	7,559	7,487	-0.9%	-1.0%
EBITDA Margin (%)	22.3%	20.1%	20.6%	-166bp	58bp
Core Net Profit (Rs m)	4,818	5,041	4,799	-0.4%	-4.8%
<b>Hindustan Unilever - Standalone</b>					
Net Sales (Rs m)	1,48,570	1,54,080	1,51,104	1.7%	-1.9%
EBITDA (Rs m)	34,350	35,700	35,207	2.5%	-1.4%
EBITDA Margin (%)	23.1%	23.2%	23.3%	18bp	13bp
Core Net Profit (Rs m)	24,230	24,920	25,216	4.1%	1.2%
<b>Jyothy Laboratories - Standalone</b>					
Net Sales (Rs m)	6,600	7,045	6,941	5.2%	-1.5%
EBITDA (Rs m)	1,084	1,158	1,125	3.8%	-2.8%
EBITDA Margin (%)	16.4%	16.4%	16.2%	-22bp	-23bp
Core Net Profit (Rs m)	782	874	798	2.1%	-8.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 8: 4QFY25F preview of our coverage universe (1/2)**

	4QFY24	3QFY25	4QFY25F	yoy % chg	qoq % chg
<b>Marico - Consolidated</b>					
Net Sales (Rs m)	22,780	27,940	26,653	17.0%	-4.6%
EBITDA (Rs m)	4,420	5,330	4,530	2.5%	-15.0%
EBITDA Margin (%)	19.4%	19.1%	17.0%	-240bp	-208bp
Core Net Profit (Rs m)	3,180	3,990	3,437	8.1%	-13.9%
<b>Nestle India - Standalone</b>					
Net Sales (Rs m)	52,544	47,621	55,003	4.7%	15.5%
EBITDA (Rs m)	13,226	10,503	12,802	-3.2%	21.9%
EBITDA Margin (%)	25.2%	22.1%	23.3%	-190bp	122bp
Core Net Profit (Rs m)	9,241	6,961	8,927	-3.4%	28.2%
<b>Titan Company - Consolidated</b>					
Net Sales (Rs m)	1,24,940	1,77,400	1,56,086	24.9%	-12.0%
EBITDA (Rs m)	11,900	16,740	14,438	21.3%	-13.8%
EBITDA Margin (%)	9.5%	9.4%	9.3%	-27bp	-19bp
Core Net Profit (Rs m)	7,700	10,470	8,691	12.9%	-17.0%
<b>Ethos-Consolidated</b>					
Net Sales (Rs m)	2,525	3,699	3,283	30.0%	-11.3%
EBITDA (Rs m)	360	570	474	31.8%	-16.9%
EBITDA Margin (%)	14.2%	15.4%	14.4%	19bp	-97bp
Core Net Profit (Rs m)	210	295	226	7.6%	-23.2%
<b>TCPL Packaging-Consolidated</b>					
Net Sales (Rs m)	4,005	4,797	4,516	12.7%	-5.9%
EBITDA (Rs m)	704	706	700	-0.5%	-0.9%
EBITDA Margin (%)	17.6%	14.7%	15.5%	-207bp	78bp
Core Net Profit (Rs m)	290	377	217	-25.2%	-42.5%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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#### **InCred Research Services Private Limited**

##### **Research Analyst SEBI Registration Number: INH000011024**

Registered Office: Unit No 1203, 12th Floor, B Wing, The Capital, C-70, G Block, BKC, Bandra (E), Mumbai – 400051

Phone: +91-22-6844-6100

Corporate Office: 05<sup>th</sup> floor, Laxmi Towers, Plot No. C-25, G Block, Bandra – Kurla Complex, Bandra (East), Mumbai – 400051

Phone: +91-22-4161-1500

Name of the Compliance Officer: Mr. Yogesh Kadam

Email ID: compliance@incredresearch.com, Phone No: +91-22-41611539

For any queries or grievances, you may contact the Grievance Officer.

Name of the Grievance Officer: Mr. Rajarshi Maitra

Phone no. +91-022-41611546

Email ID: rajarshi.maitra@incredresearch.com

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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.