Consumer Staples - Overall

1QFY26 results preview - mixed outlook

India

Neutral *(no change)*

Highlighted Companies

Godrej Consumer Products

ADD, TP Rs1380, Rs1272 close

GCPL is expected to post double-digit sales growth on a consolidated basis in 1QFY26F led by double-digit growth in the home care segment and low single-digit growth in the personal care segment. The benefits of lower palm oil prices are expected to play out from 2HFY26F.

Marico

ADD, TP Rs750, Rs740 close

We expect its volume growth of 8.5% in 1QFY26F, with consolidated sales growing 21.7% on a low base. We remain optimistic about Marico's growth prospects and diversification agenda. Margin pressure is expected to sustain in the medium term.

Britannia Industries

ADD, TP Rs6200, Rs5786 close

The company is expected to post 8.5% yoy sales growth led by low to mid-single digit volume growth. EBITDA is likely to grow 10.6% yoy, with a 35bp yoy expansion in EBITDA margins to 18.1%.

Summary Valuation Metrics

P/E (x)	Mar26-F	Mar27-F
Godrej Consumer Products	52.4	44.6
Marico	54.7	48.0
Britannia Industries	55.2	50.5

P/BV (x)	Mar26-F	Mar27-F
Godrej Consumer Products	9.5	8.2
Marico	16.8	14.8
Britannia Industries	30.0	28.1

Dividend Yield	Mar26-F	Mar27-F
Godrej Consumer Products	0.6%	0.7%
Marico	1.1%	1.2%
Britannia Industries	1.6%	1.8%

- The overall demand environment is expected to remain unchanged qoq, with weakness in urban demand persisting while rural continues to fare better.
- Margin pressure is expected to sustain owing to the inflationary trend in key raw materials and elevated intensity in advertising and promotional spending.
- Top picks in FMCG: GCPL, Marico & Britannia Industries. In the retail pack, we have a high-conviction ADD rating on Ethos & ADD rating on Titan Company.

Demand conditions are largely expected to be similar sequentially

We expect another soft quarter to play out, with 6.2% sales growth in 1QFY26F across our FMCG coverage universe. The overall demand is expected to remain similar as the previous quarter, with urban demand remaining weak and rural demand continuing to fare relatively better. The outlook for rural markets remains positive, supported by expectations of above normal monsoons and a better pace of kharif sowing. In terms of channel performance, alternate channels are expected to continue their momentum, with quick commerce continuing to gain pace. The general trade channel continues to remain on a slower track; however, companies have increased their focus on reviving growth in this channel, as per our channel checks. With new players in the quick commerce space ramping up their presence aggressively, we expect the general trade disruption to slowly spread beyond urban markets. In terms of growth, Marico is expected to post the highest growth (21.7%) on a low base, followed by Godrej Consumer Products or GCPL (12%) and Britannia Industries (8.4%). Colgate-Palmolive (India) is expected to be the worst performer for the quarter (-1.9%) followed by Emami (-1.5%). Our top picks are GCPL (ADD; TP: Rs1,380), Marico (ADD; TP: Rs750) and Britannia Industries (ADD; TP: Rs6,200).

Margin pressure is expected to sustain in the near term

While raw material prices remained elevated on a yoy basis in 1Q, that of key raw materials like palm oil, PFAD, coffee, wheat, etc. cooled sequentially. Prices of copra, liquid paraffin, rice bran and sunflower oil remained elevated, with copra witnessing the sharpest hike (100%+ yoy). We expect advertising and promotional spending to remain elevated as FMCG companies focus on reviving volume growth and expanding market share. We expect our FMCG pack to witness EBITDA margin contraction of 88bp yoy to 21.6% in 1Q.

Retail companies are expected to maintain their healthy momentum

Our retail pack is expected to continue posting healthy growth, with Ethos likely to lead the set, posting 23% yoy growth led by continued traction in luxury and high luxury customers. Titan Company (Titan) is expected to post 19.6% yoy growth led by an 18% growth in the jewellery segment and 23% growth in the watches segment. Eyecare and emerging business is expected to grow 12%/36% yoy respectively. Titan's EBITDA margin is expected to expand by 30bp yoy to 9.7% while that of Ethos is likely to contract 30bp yoy to 15.5% in 1QFY26F. We have a high-conviction ADD rating on Ethos (TP: Rs3,400) and ADD rating on Titan (TP: Rs3,930).

Figure 1: 1QFY26F results of our FMCG coverage universe

Company	Revenue (Rs m)	% chg (yoy)	EBITDA (Rs m)	% chg (yoy)	Net Profit (Rs m)	% chg (yoy)
Consumer staples						
Britannia Industries	46,076	8.4%	8,333	10.6%	5,999	13.1%
Colgate-Palmolive (India)	14,690	-1.9%	4,848	-4.6%	3,450	-5.2%
Dabur India	34,269	2.3%	6,613	1.0%	5,028	0.5%
Emami	8,925	-1.5%	2,027	-6.4%	1,485	-2.7%
Godrej Consumer Products	37,302	12.0%	7,816	7.9%	4,946	5.0%
Hindustan Unilever	1,59,514	4.0%	36,210	0.4%	25,561	-1.2%
Jyothy Labs	7,566	2.0%	1,248	-6.4%	968	-4.9%
Marico	32,168	21.7%	6,463	3.2%	4,841	4.3%
Nestle India	50,695	5.8%	11,040	3.1%	7,442	1.3%
Aggregate (staples)	**3,91,205**	**6.2%**	**84,598**	**2.0%**	**59,720**	**1.1%**
Retail/Packaging						
Titan Company	1,58,601	19.6%	15,384	23.4%	8,447	18.1%
Ethos	3,361	23.0%	521	20.4%	274	20.2%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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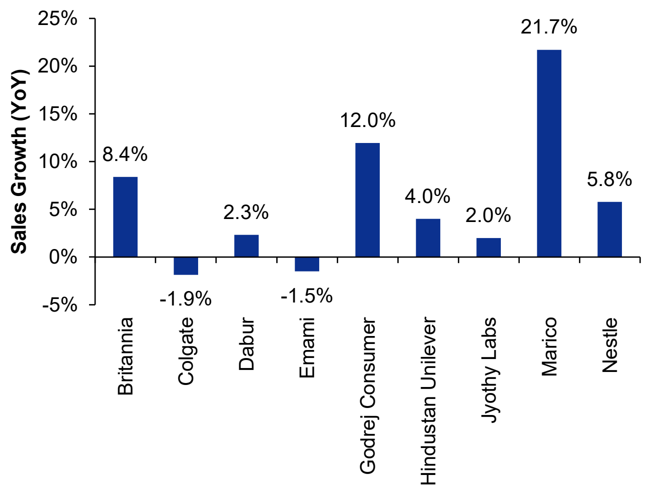
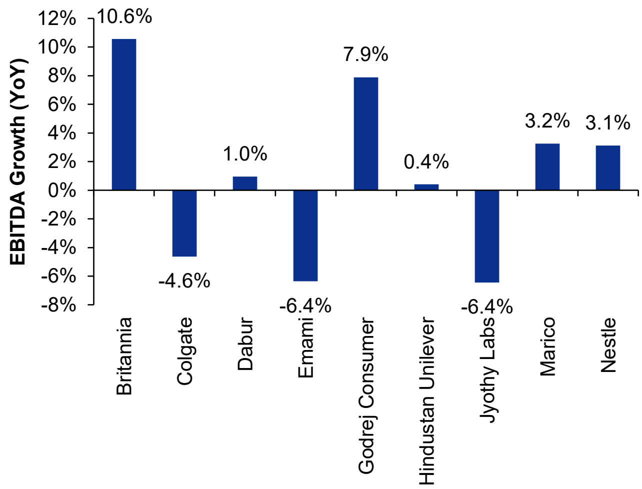
1QFY26 results preview - mixed outlook

Figure 2: Marico is expected to post the highest growth, followed by GCPL and Britannia Industries, in 1QFY26F



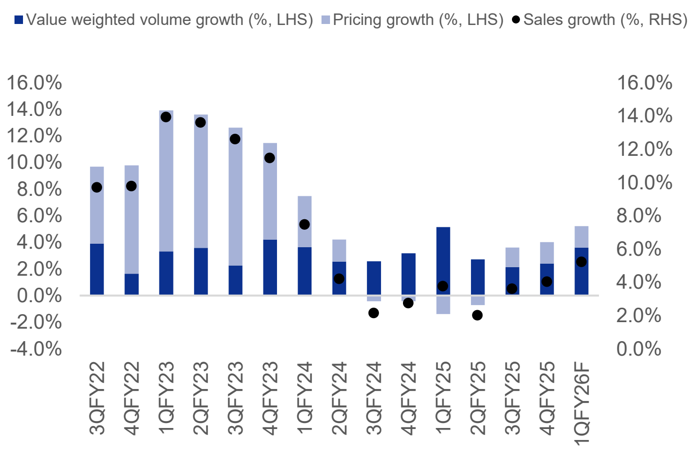
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Britannia Industries is expected to see a faster EBITDA growth, followed by GCPL, in 1QFY26F



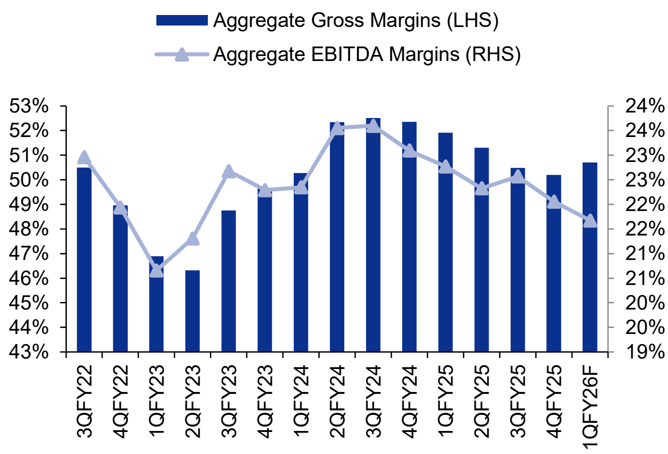
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Sales growth is expected to be volume-led owing to deflation in key raw material costs, like that of edible oils



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Muted volume growth and high promotional intensity are expected to keep margins under pressure



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: 1QFY26 results preview of our coverage universe

	1QFY25	4QFY25	1QFY26F	yoy % chg	qoq % chg
Britannia Industries - consolidated					
Net Sales (Rs m)	42,503	44,322	46,076	8.4%	4.0%
EBITDA (Rs m)	7,537	8,052	8,333	10.6%	3.5%
EBITDA Margin (%)	17.7%	18.2%	18.1%	35bp	-8bp
Core Net Profit (Rs m)	5,303	5,600	5,999	13.1%	7.1%
Colgate-Palmolive (India) - standalone					
Net Sales (Rs m)	14,967	14,625	14,690	-1.9%	0.4%
EBITDA (Rs m)	5,083	4,980	4,848	-4.6%	-2.7%
EBITDA Margin (%)	34.0%	34.1%	33.0%	-96bp	-105bp
Core Net Profit (Rs m)	3,640	3,550	3,450	-5.2%	-2.8%
Dabur India - consolidated					
Net Sales (Rs m)	33,491	28,301	34,269	2.3%	21.1%
EBITDA (Rs m)	6,550	4,269	6,613	1.0%	54.9%
EBITDA Margin (%)	19.6%	15.1%	19.3%	-26bp	422bp
Core Net Profit (Rs m)	5,001	3,201	5,028	0.5%	57.1%
Emami - consolidated					
Net Sales (Rs m)	9,061	9,631	8,925	-1.5%	-7.3%
EBITDA (Rs m)	2,165	2,194	2,027	-6.4%	-7.6%
EBITDA Margin (%)	23.9%	22.8%	22.7%	-118bp	-7bp
Core Net Profit (Rs m)	1,526	1,622	1,485	-2.7%	-8.4%
Godrej Consumer Products - consolidated					
Net Sales (Rs m)	33,316	35,980	37,302	12.0%	3.7%
EBITDA (Rs m)	7,244	7,592	7,816	7.9%	2.9%
EBITDA Margin (%)	21.7%	21.1%	21.0%	-79bp	-15bp
Core Net Profit (Rs m)	4,710	4,433	4,946	5.0%	11.6%
Hindustan Unilever - standalone					
Net Sales (Rs m)	1,53,390	1,52,140	1,59,514	4.0%	4.8%
EBITDA (Rs m)	36,060	34,630	36,210	0.4%	4.6%
EBITDA Margin (%)	23.5%	22.8%	22.7%	-81bp	-6bp
Core Net Profit (Rs m)	25,860	25,130	25,561	-1.2%	1.7%
Jyothy Labs - standalone					
Net Sales (Rs m)	7,418	6,670	7,566	2.0%	13.4%
EBITDA (Rs m)	1,335	1,119	1,248	-6.4%	11.5%
EBITDA Margin (%)	18.0%	16.8%	16.5%	-149bp	-28bp
Core Net Profit (Rs m)	1,017	806	968	-4.9%	20.0%
Marico - consolidated					
Net Sales (Rs m)	26,430	27,300	32,168	21.7%	17.8%
EBITDA (Rs m)	6,260	4,580	6,463	3.2%	41.1%
EBITDA Margin (%)	23.7%	16.8%	20.1%	-359bp	332bp
Core Net Profit (Rs m)	4,640	3,430	4,841	4.3%	41.1%
Nestle India - standalone					
Net Sales (Rs m)	47,930	54,476	50,695	5.8%	-6.9%
EBITDA (Rs m)	10,707	13,515	11,040	3.1%	-18.3%
EBITDA Margin (%)	22.3%	24.8%	21.8%	-56bp	-303bp
Core Net Profit (Rs m)	7,346	8,855	7,442	1.3%	-16.0%
Titan Company - consolidated					
Net Sales (Rs m)	1,32,660	1,49,160	1,58,601	19.6%	6.3%
EBITDA (Rs m)	12,470	15,370	15,384	23.4%	0.1%
EBITDA Margin (%)	9.4%	10.3%	9.7%	30bp	-60bp
Core Net Profit (Rs m)	7,150	8,710	8,447	18.1%	-3.0%
Ethos - consolidated					
Net Sales (Rs m)	2,732	3,113	3,361	23.0%	8.0%
EBITDA (Rs m)	433	476	521	20.4%	9.4%
EBITDA Margin (%)	15.8%	15.3%	15.5%	-34bp	21bp
Core Net Profit (Rs m)	228	227	274	20.2%	20.5%

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.