30 June 2026

FMCG

Sectoral growth remains resilient amid inflationary headwinds

Sensex: 76,728

Nifty: 23,946

We hosted/interacted with multiple dealers/distributors/experts from Consumer sector (FMCG/Paints/AlcoBev), who suggested healthy sectoral revenue growth in Q1/FY27. Key drivers are: premiumisation, GST rate-cut, expansion to alternate channels, improved pricing power, favourable seasonality and innovation. Despite potential impact of El Nino on rural demand, we remain optimistic of steady volume growth along with moderate pricing power driving overall top line. Recent fall in the prices of crude/crude oil derivatives is likely to aid sectoral margin in the coming quarters. We like the consumer players with superior execution and potential earnings surprise i.e., Marico, GCPL and HUL in the large-cap space, and Mrs Bector Foods and Zydus Wellness in small/mid-cap space.

Price Hikes to Aid FMCG Growth amid Steady Demand Scenario: Barring a weaker general trade (GT) trend for some market/players, revenue growth remained steady for most FMCG players in Q1FY27 and is expected to further accelerate due to recent price hikes. E-com and modern trade (MT) channels continued to drive faster growth for the sector with seasonal, premium and innovation driving faster growth, aided by GST rate cut in certain segments. Thus, we expect double digit revenue growth seen over the last two quarters to either sustain or improve in Q1/H1FY27. Decline in crude oil prices is likely to boost sectoral margin in Q2/H2FY27.

Steady Growth in Discretionary Segment: As per our channel check, Paints/ AlcoBev players (P&A portfolio) saw a steady double-digit growth, led by seasonality, premiumisation and price hikes. Despite sharp price rise (with another 4% hike on 20th Jun), paint demand was healthy, led by strong re-painting demand and extended summer. Notably, ITC's cigarettes portfolio remains resilient despite a staggered price hike in its portfolio. Premiumisation continues to drive AlcoBev despite subdued demand in mass portfolio.

Outlook and Valuation: Over the last 3-4 months, most FMCG/consumer stocks have corrected, due to higher input cost, supply chain disruption, led by lower exports to West Asia. However, the paints players and few consumer names have bucked the trend with aggressive price hikes and/or improved FY27 outlook. We continue to believe the valuation of several FMCG players are attractive given improved growth prospects in FY27. Out of our coverage universe (including discretionaries), we expect ~10% revenue CAGR over FY26-28e, driving ~14% earnings CAGR (vs. 4/7% y/y revenue growth and -3/5% earnings growth in FY25/26e). **Top Picks:** Marico (Rs865), GCPL (Rs1,400), HUL (Rs2,700), Mrs. Bector Food (Rs250) in FMCG space, and Restaurant Brand Asia (Rs93) in consumer discretionaries space.

Ajay Thakur
Research Analyst

Preferred Picks – Valuation Metrics

Companies	Rating	Mkt Cap	CMP	TP	EPS		P/E		RoE (%)	Div Yield (%)
		(Rs bn)	(Rs)	(Rs)	FY27e	FY28e	FY27e	FY28e	FY26	FY26
HUL	BUY	5,042	2,146	2,700	49.0	53.8	43.8	39.9	21.0	2.4
Marico	BUY	1,090	839	865	17.0	19.2	49.4	43.7	44.4	0.5
Godrej Consumer	BUY	1,046	1,022	1,400	23.7	28.0	43.0	36.5	17.4	1.9
Mrs Bector Food	BUY	55	180	250	5.8	7.1	30.9	25.2	10.9	0.2
RBA*	BUY	46	79	93	(2.7)	(1.5)	11.4	8.9	(25.0)	NA

Source: Bloomberg, Anand Rathi Research **RBA- EV/EBITDA*

Channel Check – Key Takeaways

I. All India Consumer Products Distributor Federation Expert

FMCG Demands Slows in Rural, But Summer-centric Portfolio Does Well

FMCG demand in GT saw some weakness in Q1, with channel sales deceleration led by rural slowdown, while urban markets remained relatively resilient. Food categories such as tea, biscuits and confectionery witnessed slowdown on a high base, whereas beverages and summer-led portfolios continued to outperform supported by seasonal demand.

Higher Crude Prices and Crude-linked Commodity Cost Drive Broad-based Pricing Actions

Inflation driven by the West Asia conflicts and higher crude and crude-linked commodity cost has led to price increases across FMCG categories through MRP hikes and grammage cuts, resulting in price increases of 10-20% in certain segments. In response, consumers increasingly shifted towards local brands and smaller packs to manage household budgets, making recent FMCG growth more pricing-led than volume-driven.

Distributor Margin Comes Under Pressure

Distributor margin came under pressure (falling to <2% on net basis) due to rising logistics and employee cost. Logistics account for 50-55% of distributor commissions, while wage inflation increased employee cost by 25-30%, intensifying pressure on profitability. Industry associations are increasingly seeking structural margin revisions rather than temporary commercial support.

E-com Gains in Urban Market, as Channel Shift Accelerates

Quick commerce is gaining share rapidly in urban centres (constituting up to 25-30% share), initially impacting modern trade and increasingly taking share from general trade in metros such as Mumbai, Bengaluru, Delhi and Chennai. However, the expert believes GT will remain the backbone of FMCG distribution given its ~80% share, deep reach and strong rural presence. Slower consumption has increased inventory build-up risk and working capital requirements.

Other Highlights

- Rural recovery and monsoon are the key monitorable for industry growth.
- Pricing-led growth is expected to continue until emergence of meaningful volume recovery.
- GT is expected to remain structurally dominant over the medium-term.

II. Nestlé & Packaged Food Distributor (MP state)

Demand Remains Healthy Despite Sequential Moderation

Demand remained healthy in Q1, but witnessed some slowdown compared to a strong (>20% y/y growth in Q4), with softness concentrated in select segments rather than indicating broad-based weakness. Apr-May fared better while Jun saw sharper localised moderation. However, Nestlé's portfolio continued to show better resilience vs. broader FMCG trends.

Maggi Anchors Growth; Coffee & Chocolates Recover on Improved Affordability

Maggi continues to be the key growth driver, showing strong resilience despite price hikes and maintaining leadership across markets with no meaningful sign of downtrading. SKU expansion across affordability price points (Rs5-10 packs), along with premium offerings, continues to support volume growth and defend market share. Coffee and chocolates have seen recovery following price corrections post GST changes, with coffee seeing meaningful demand recovery after ~20% price correction in select SKUs. Nutrition categories remained healthy, while innovation and premium formats continued to support category momentum.

Pricing Reset, Innovation & Portfolio Expansion Drive Growth

GST-led pricing correction and improved affordability aided consumer demand, particularly in coffee and nutrition, while the retailer stocking improved across select categories. Product innovation and SKU expansion are aiding growth across categories, while launches across premium chocolates and expanded price points are likely to aid medium-term growth.

Visi-coolers in Smaller Towns Aids Growth and Branding

GT remains dominant channel for staples, while MT and Q-Com continue gaining share in urban markets, aided by convenience and larger baskets. Nestlé continues expanding reach through wholesaler-led distribution and retail execution initiatives, with potential distributor margin upside of 1-1.5% in select direct models. The company is also rolling out visi-cooler for its chocolates and beverages portfolio, which are offered to shop owners free of cost in smaller towns, supporting visibility, assortment expansion and stronger retail execution.

Other Highlights

- Nestle's business operates on a tight cash cycle with low credit and limited inventory risk, aided by advance billing and short WC cycles (3-7 days for large brands).
- Maggi is expected to remain the primary growth anchor, while coffee, nutrition and premium chocolates should continue benefiting from affordability, innovation and premiumisation trends.
- Q-Com will continue to gain share, although GT is expected to remain structurally dominant.

III. Godrej Consumer Products (GCPL) and FMCG Distributor (Nagpur)

Liquid Detergents and Air Freshener Driving Growth

Soaps growth was steady in Q1 aided by seasonality, whereas body wash, air care and fabric wash categories posted strong growth. Innovation, increasing adoption drove air freshener segment, while liquid fabric care continued gaining share from traditional formats. Hair colour and select mass categories remained subdued, as premiumisation moderated. Innovation-led categories continued to outperform legacy categories, with air care, fabric care and newer formats supporting growth.

Household Insecticide Moderates on Intense Summer but Innovation Aids Growth

While broader Household Insecticide (HI) slowed due to intense summer, the anti-mosquito agarbatti offering – Goodknight Agarbatti' has emerged as a steady growth driver and gaining wider market acceptance/share.

Distributor Economics Under Pressure Amid GT Weakness

Distributor indicated pressure on GT channel while growth being driven by innovation and alternate channels. Rising logistics, manpower and servicing costs continued to compress distributor profitability, with industry RoI reducing from ~18-20% historically to ~15% currently. Retailers and distributors are increasingly prioritising brands with better margin, faster rotation and stronger working capital efficiency.

Disciplined Execution Supports Stability

GCPL continued expanding outlet reach through its super-stockist-led model while maintaining disciplined inventory and WC management. Inventory remained controlled across the system with limited stock build-up, reflecting stronger focus on RoI and inventory turns rather than volume-led stocking.

Other Highlights

- Demand trend was mixed in Q1 with GT remaining weak, while the growth was aided by MT and Q-Com.
- Q-Com emerged as the fastest-growing channel, benefiting from convenience and faster delivery at no additional cost.
- Growth is expected to be increasingly driven by selective innovation, evolving consumer preferences and ability to adapt to changing distribution dynamics.

IV. HUL & FMCG Distributor (MP)

Growth Holds Up Despite Mixed Demand Environment

HUL distributor saw relatively better growth (~8%), led by strong performance in Detergents and Foods portfolio, despite mixed FMCG demand trends during the quarter. Demand remained healthy across the distributor territory supported by resilient rural consumption and stable execution, although category performance remained uneven and supply constraints impacted availability in select pockets.

Consumer Polarisation Shapes Portfolio Performance

Demand remains polarised, with premium and sachet packs performing well, while mid-sized packs remain under pressure. Rural demand continued to be driven by affordability-led consumption and entry-level SKUs, while urban growth was supported by premiumisation and convenience-led purchasing behaviour. Detergents and soaps emerged as key growth drivers, while beauty segment underperformed due to D2C competition.

Execution, Pricing Discipline & Portfolio Optimisation Support Growth

HUL continued to adopt calibrated pricing actions including selective ~2-3% detergent price increases and grammage adjustments to protect affordability. The company remained focused on outlet productivity, SKU rationalisation and stronger field execution, while distributor margin remained broadly stable at ~3.3-4.2%.

Horlicks Biscuits Launch Likely to Expand Foods Portfolio

HUL is expected to launch Horlicks biscuits within the next one month as part of its food portfolio expansion. While the company has launched Horlicks in RTD format and higher protein variant, but the biscuits roll out will be keenly watched, since the company will enjoy customer brand awareness and strong positioning in health range of biscuits.

Other Highlights

- Entry-level packs and premium offerings are expected to continue outperforming mid-sized SKUs, while detergents, foods and execution-led market share gains should remain key growth drivers.
- Recent launches such as RTD Horlicks, Kissan Chutney and Lifebuoy Ice Bath reflect continued focus on convenience-led formats, brand extensions and premium innovation, although their early performance has been mixed.
- Beauty & Wellness categories are facing increasing competition from D2C and digital-first brands, resulting in greater consumer experimentation and fragmented category growth.
- HUL continued to maintain stronger traction in detergents and dishwash through pricing discipline and execution, while categories such as oral care and beauty remained more competitive.

V. Biscuits Distributor (Punjab)

Growth Resilient Despite General Trade Weakness

Despite a weaker GT demand and visible consumer migration towards alternate channels, the distributor indicated a healthy growth of 12-13% for his biscuit portfolio, which includes Britannia, Parle and Priya Gold. Convenience-led consumption and post-COVID buying behaviour continue to accelerate channel shift from traditional trade for daily and top-up purchases.

Modern Trade and Q-Com Accelerate Channel Shift

Modern Trade is growing strongly at >50% growth for some chains, while Q-Com is witnessing hyper-growth, led by platforms like Blinkit (in his non-biscuits portfolio). The companies are increasingly using differentiated SKUs, grammage and MRPs across GT, MT and Q-Com to manage channel conflict and support profitability, with MT and Q-Com carrying structurally higher trade spends.

Affordable Price Points Continue to Drive Biscuit Demand

Biscuit growth continues to remain led by mass and value packs, with Rs5 and Rs10 SKUs contributing nearly two-thirds of category revenue. Parle has reverted to Rs5/10 price points from earlier Rs4.5/9 price point, which has seen growth rebound for Britannia in popular price points, while the companies continue managing economics through grammage adjustments, while the distributor expects some pricing actions in biscuits soon.

Premium Innovation Sees Better Acceptance Outside GT

New launches from Britannia (like Croissant and cheese crackers etc.) have seen muted response in GT, while they have fared better in MT. Premium categories continue to benefit from stronger in-store visibility and trial-led consumption in organised channels, while retailer preference in GT remains skewed towards established and high-rotation SKUs.

Other Highlights

- Value packs are expected to continue driving volume, whereas premium innovation and differentiated execution across channels should support future growth.
- Premium categories remain largely controlled by larger incumbents, while the regional players continue to perform selectively across formats and variants.
- Despite higher competitive intensity in biscuits, Britannia and Parle continue to remain the dominant players in GT (in Punjab) with the strongest shelf presence and retailer preference.

VI. Paints Distributor (Nashik)

Asian Paints Undertakes a Fresh ~4% Price Hike; Industry Cumulative Hikes Reach ~15-16%

As per our channel check, Asian Paints has implemented a fresh ~4% price hike across pan-India the 20th of Jun-26, taking cumulative industry price hikes since the start of the inflation cycle to ~15-16%. The latest round of hikes was largely concentrated in emulsions, while oil-based paints saw relatively lower rise (~2-3%). Other players are also expected to follow the suit, with Birla Opus is likely to undertake price hike around mid-July and JSW Paints in early July. Channel partners indicate that there is no indication of price cuts by any players in near future, as the paint players won't like to disturb festivals demand.

Extended Summer Aids Demand Momentum

Paint demand remained relatively healthy in Q1FY27, supported by an extended repainting season owing to delayed monsoon and continued execution of projects business. Our channel check indicated that demand across retail counters has remained broadly stable in southern and western markets, despite multiple rounds of price hikes. However, the dealers have turned cautious on inventory and not up-stocking, unlike post price hike up-stocking seen after 1st two price increase.

JSW Paints (Akzo Nobel India) to Roll Out Aggressive Paints' Strategy in Jul-26

Our channel check also indicated potential revamp of JSW Paints growth strategy, which is expected to be unveiled in its upcoming dealers meet in Jul-26. JSW paints generally limit to only a few paints dealer within 2-3 km radius unlike other paint company, who have multiple paints dealers in existing dealer radius. Further, post takeover of Dulux portfolio, the company has only slightly tweaked portfolio while stabilising operations. Thus, we believe timings is opportune for JSW Paints to roll out an aggressive growth strategy in its upcoming Dealers Meet.

Margins Might Surprise in Q2/H2FY27

Despite elevated competitive intensity across segments, the incumbent paint players have stayed relatively disciplined (in discounting, schemes and incentives). Birla Opus remains the most aggressive player on total trade incentives and promotional intensity and dealer competition within Opus' rapidly expanding network is beginning to create pricing pressure among dealers themselves.

Other Highlights

- Improved industry demand environment, along with cumulative industry price hike of ~16%, recent correction in crude oil prices, and backward integration/cost efficiency benefits for incumbent players are expected to aid operating margin in Q2/H2.
- Premium and luxury paint (including exterior) demand remained healthy, with limited evidence of downtrading, suggesting mix to remain healthy in Q1, aided by higher seasonal skew towards exterior paints.

VII. Cigarette Distributor (Hyderabad)

Cigarettes Demand Remains Resilient Despite Sharp Price Hike

ITC's cigarettes demand remains resilient despite price hikes, with volume seen almost flat for Hyderabad market, helped by staggered price increase and some market share gains. Demand remained healthy across categories with April-May volumes being better while June witnessing some moderation. Hyderabad's cigarette market was supported by reduction/ normalisation of leakages (illicit trades) post taxation increase and ITC's stronger brand positioning in southern India.

Longs Range Portfolio Introduced to Enhance Brand Architecture and Protect Mix

The company has introduced Longs portfolio between KSFT and RSFT, which has garnered healthy 5-8% revenue share, protecting product mix and margin. The category is positioned to retain consumer-perceived value, while benefiting from favourable taxation dynamics, with the management taking a long incubation approach for scale-up.

Staggered Price Hike Supports Pricing Absorption and Margin Protection

ITC has resorted to a gradual and staggered price increase, with key brands like Gold Flake Filter (RSFT) expected to witness another round of price increase (moving to Rs127 from Rs117 for a pack of 10) soon. The company continues to avoid sharp one-time hikes, supporting inventory absorption, trade participation and healthier consumption transition post tax changes.

Portfolio Mix Remains Stable Despite Consumer Repositioning

Consumer demand continues to remain concentrated across four price bands i.e., below Rs10, Rs10-12, Rs12-20 and above Rs20 per stick with the Rs10-12 segment emerging as the strongest contributor (~32% mix). Despite pricing actions, category mix remained broadly stable with limited signs of downtrading across the ITC portfolio, supported by strong performance across RSFT, premium portfolio and value formats.

Other Highlights

- Q-Com is emerging as a fast-growing channel for cigarettes (~5-10% contribution) and could scale further over time.
- Inventory normalisation was largely completed by Mar-26, while staggered pricing and disciplined dispatches improved availability and supported a transition from push-led stocking to stronger pull-driven demand (due to staggered price hikes).

VIII. AlcoBev Distributor (North India)

Premiumisation Keeps Value Growth Alive

Overall industry volume remains soft with ~2% y/y growth, aided by premium portfolio. India is a ~440m case IMFL market with Scotch-Blend (whisky) continuing to dominate consumption (~61% share), while premiumisation across categories and trading-up towards mid-premium whisky (Royal Stag and above) continue to drive value growth.

UK-India FTA to Aid Lowering Scotch Prices

Under the India-UK FTA, imported Scotch Price reduction is expected to be materially lower than headline duty cuts, with retail prices for luxury (BII and BIO) portfolio to be lowered by 8-10%. Premium imported categories are likely to benefit more, while Indian single malts and other premium categories (craft gins and vodka etc.) can witness increased competition.

Category mix Seen Evolving Beyond Traditional Whiskey Consumption

Whiskey remains the largest category, although shelf allocation in metros has reduced from ~80% historically to ~60%, as category diversification accelerates, while Tier-II markets remain heavily whiskey-led. White spirits including vodka, tequila and gin continue to gain relevance through premiumisation and innovation, with flavoured offerings driving consumer trials. Beer premiumisation also continues to accelerate across metros and Tier-II cities, supported by increasing premium shelf allocation and evolving consumption preferences.

Brands Compete Through Premium Positioning and Portfolio Expansion

Competitive intensity remains elevated with the players increasingly relying on packaging refresh, portfolio expansion and execution to drive growth rather than pricing actions. McDowell's benefited from competitive supply disruptions (of Imperial Blue during transition), while Allied Blenders and emerging challenger brands continue gaining traction through stronger product quality, packaging and repeat demand. Premium categories remain increasingly driven by visibility, in-store experience and consumer discovery.

Other Highlights

- Beer category premiumisation continues to strengthen, with premium shelf and fridge allocation in metros increasing from ~5% to ~10% over the last three years, while the premium beer market expanded by ~3x over the same period.
- Demand is shifting towards premium imports and domestic premium offerings, while supply-side bottlenecks including packaging availability (aluminium can) and capacity constraints remain the key monitorable.
- Retail discussions are increasingly shifting from volume commitment to shelf-space allocation, category presence and visibility-led conversion.
- The companies with broader portfolios are gaining stronger shelf negotiation power, while premiumisation is expected to remain the dominant growth driver across whiskey, beer and white spirits despite near-term volume moderation.

Outlook and Valuations

Over the last 3-4 months, most FMCG/consumer stocks have corrected, due to higher input cost, supply chain disruption led by lower exports to West Asia. However, the paints players and few consumer names have bucked the trend with aggressive price hikes and/or improved FY27 outlook. We continue to believe the valuation of several FMCG players are attractive given expectation of improved growth in FY27. Out of our coverage universe (including discretionaries), we expect ~10% revenue CAGR over FY26-28e driving ~14% earnings CAGR (vs. 4/7% y/y revenue growth and -3/5% earnings growth in FY25/FY26e).

- We like **Marico (Rs865), GCPL (Rs1,400) and HUL (Rs 2,700) in large caps and Mrs. Bector Food (Rs250) & Zydus Wellness (Rs525) in small/midcap.**
- In discretionaries space, we like **Restaurant Brand Asia (Rs93)**.
- We have **upgraded the paints sector to HOLD** (across all 3 covered names) from SELL on improving demand trend, aggressive price increases and sustained margins guidance (after recent correction in crude oil prices). We remain cautiously optimistic on the space and shall revisit our numbers post Q1.

Fig 1 – Earnings Growth of the Companies in Our Coverage Universe

Companies	Revenue (Rs m)			EBITDA Margin (%)		PAT (Rs m)		
	FY27e	FY28e	2yr CAGR (%)	FY27e	FY28e	FY27e	FY28e	2-Yr CAGR (%)
Staples								
HUL	6,97,473	7,51,515	7.97	23.3	23.8	1,15,264	1,26,468	7.8
GCPL	1,73,416	1,90,410	10.53	21.0	22.1	24,277	28,632	18.2
Dabur	1,44,036	1,55,279	8.49	19.3	19.6	21,166	23,311	11.7
Marico	1,50,131	1,64,630	9.98	19.2	19.6	21,975	24,782	18.6
Emami	42,625	46,505	10.93	26.4	27.4	8,243	9,313	9.0
Zydus Wellness	52,403	59,046	22.09	15.8	16.9	4,525	5,545	52.6
Mrs Bector Foods	23,196	26,109	13.03	13.5	14.0	1,784	2,190	24.6
Discretionary								
Asian Paints	4,00,472	4,35,897	10.68	18.3	19.0	47,716	55,098	13.0
Berger Paints	1,33,641	1,43,995	10.09	15.6	16.1	13,101	14,850	14.7
Kansai Nerolac	80,686	93,155	9.70	13.0	13.3	7,918	8,821	19.3
United Spirits	1,45,060	1,58,985	10.85	19.0	19.3	20,577	22,997	10.8
United Breweries	1,05,923	1,17,319	11.10	11.0	11.9	6,695	8,540	54.5
Radico Khaitan	68,090	76,044	11.92	16.7	17.9	6,965	8,722	27.1
Devyani International	62,420	70,589	12.16	16.4	17.0	945	1,920	NA
Sapphire Foods	34,832	39,024	11.74	16.0	16.9	206	650	NA
Restaurant Brands Asia	32,100	36,651	13.95	12.8	14.4	-1,569	-869	-0.3

Source: Bloomberg, Anand Rathi Research

Fig 2 – Valuation Parameters of the Companies in Our Coverage Universe

Companies	CMP	Mkt. Cap	EV	EPS (Rs)		PE (x)		EV / EBITDA (x)	
	Rs / sh	Rs bn	Rs bn	FY27e	FY28e	FY27e	FY28e	FY27e	FY28e
Staples									
HUL	2,146	5,042	4,985	49.0	53.8	43.8	39.9	30.6	27.9
GCPL	1,022	1,046	1,061	23.7	28.0	43.0	36.5	29.1	25.3
Dabur	427	757	722	11.9	13.2	35.9	32.3	26.0	23.7
Marico	839	1,090	1,074	17.0	19.2	49.4	43.7	37.2	33.3
Emami	407	177	170	18.9	21.3	21.5	19.1	15.1	13.4
Zydus Wellness	568	181	212	14.2	17.4	40.0	32.6	25.6	21.2
Mrs Bector Food	180	55	54	5.8	7.1	30.9	25.2	17.3	14.8
Discretionary									
Asian Paints	2,660	2,551	2,524	49.7	57.4	53.5	46.3	34.5	30.4
Berger Paints	521	608	601	11.2	12.7	46.3	40.9	28.8	25.9
Kansai Nerolac	205	166	142	9.8	10.9	20.9	18.8	13.6	11.5
United Spirits	1,344	978	951	28.3	31.7	47.5	42.4	34.5	31.0
United Breweries	1,322	350	357	25.3	32.3	52.2	40.9	30.7	25.6
Radico Khaitan	3,868	518	522	52.2	65.4	74.1	59.2	45.8	38.4
Devyani International	111	137	146	0.77	1.56	145.0	71.3	14.3	12.2
Sapphire Foods	181	58	57	2.16	3.54	83.8	51.1	10.3	8.7
Restaurant Brand Asia	79	46	47	-2.70	-1.49	-29.5	-53.2	11.4	8.9

Source: Bloomberg, Anand Rathi Research

Appendix

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