

## FMCG 1QFY25 earnings preview

- We expect marginal sequential improvement in sales growth for most FMCG companies in our coverage due to slight pickup in rural
- Gross margin expansion trend to slow sequentially. EBITDA likely to grow slightly ahead of sales on increased business reinvestments
- Key focus areas – (1) recent trends in rural demand; and (2) market share performance given some rollback of pricing actions

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**Slightly improving sales trends:** Overall, we expect mid to high single digit sales growth for most FMCG companies. Pricing will likely be stable to slightly weaker but volumes will improve on a sequential basis. Pricing trends reflect tactical rollbacks to regain market share from local/regional players who had passed through the lower cost benefit to consumers in FY24. Volume gains likely driven by the combination of pricing rollbacks and an improvement in rural demand.

**Gross margin gains to slow but business reinvestment spending to continue:**

The combination of commodity deflation and pricing rollbacks in 2HFY24 will likely slow gross margin gains on a sequential basis. Also, we expect business reinvestments to continue and EBITDA to rise in line or only slightly ahead of sales growth on flattish margins.

**No material changes to FY25E guidance:** Recovery in rural demand is a key component of FY25E guidance across most FMCG companies. However, 3/4<sup>th</sup> of the Southwest monsoon is yet to complete and the quality of harvest is hard to predict at this stage. Rural bias appears positive as reflected in higher YoY sowings.

**Key focus areas – market share performance; recent trends in rural demand:**

We expect the market to focus on FMCG market share performance which should improve given (1) pricing rollbacks, and (2) slight pickup in rural. Any weakness in market share performance or rural sales may not be well received by investors.

Name	BOBCAPS EBITDA YoY (%)	Consensus EBITDA YoY (%)	Date	Estimated / confirmed
HUVR	2	1	19-Jul-24	Estimated
NEST	18	21	25-Jul-24	Confirmed
TATACONS	13	10	26-Jul-24	Estimated
DABUR	12	9	01-Aug-24	Confirmed
BRIT	12	11	02-Aug-24	Estimated
MRCO	8	8	05-Aug-24	Confirmed
GCPL	15	12	07-Aug-24	Estimated
ITC	4	2	14-Aug-24	Estimated

Source: BOBCAPS Research, Bloomberg



**Fig 1 – Summary of estimates for FMCG companies**

(Rs mn)	Q1FY24	Q1FY25E	YoY vs BOBCAP (%)	Q1FY25E	YoY vs Consensus (%)
<b>FMCG Group</b>					
Sales	541,273	566,471	5	560,469	4
EBITDA	144,460	153,390	6	151,656	5
EBITDA margin (%)	26.7	27.1	39bps	27.1	37bps
<b>Dabur</b>					
Sales	31,305	34,800	11	33,342	7
EBITDA	6,047	6,792	12	6,614	9
EBITDA margin (%)	19.3	19.5	20bps	19.8	52bps
Adj. PAT	4,639	5,058	9	4,970	7
Adj. EPS (Rs)	2.62	2.85	9	2.81	7
<b>Marico</b>					
Sales	24,770	26,331	6	26,362	6
EBITDA	5,740	6,171	8	6,184	8
EBITDA Margin (%)	23.2	23.4	26bps	23.5	29bps
Adj. PAT	4,270	4,577	7	4,579	7
Adj. EPS (Rs)	3.31	3.55	7	3.55	7
<b>Britannia</b>					
Sales	40,107	42,112	5	41,650	4
EBITDA	6,889	7,699	12	7,661	11
EBITDA margin (%)	17.2	18.3	111bps	18.4	122bps
Adj. PAT	4,576	5,213	14	5,204	14
Adj. EPS (Rs)	18.99	21.64	14	21.60	14
<b>Tata Consumer Products</b>					
Sales	37,412	41,901	12	41,948	12
EBITDA	5,450	6,159	13	5,990	10
EBITDA margin (%)	14.6	14.7	13bps	14.3	(29bps)
Adj. PAT	3,217	3,346	4	3,328	3
Adj. EPS (Rs)	3.46	3.60	4	3.58	3
<b>ITC</b>					
Sales	171,645	176,794	3	173,700	1
EBITDA	66,701	69,369	4	68,320	2
EBITDA margin (%)	38.9	39.2	38bps	39.3	47bps
Adj. PAT	51,049	52,836	4	51,867	2
Adj. EPS (Rs)	4.12	4.24	3	4.16	1
<b>Hindustan Unilever</b>					
Sales	154,960	158,059	2	156,503	1
EBITDA	36,650	37,310	2	36,879	1
EBITDA margin (%)	23.7	23.6	-5bps	23.6	-9bps
Adj. PAT	25,920	26,179	1	25,839	0
Adj. EPS (Rs)	11.03	11.14	1	11.00	0
<b>Godrej Consumer Products</b>					
Sales	34,489	35,869	4	35,164	2
EBITDA	6,428	7,393	15	7,232	12
EBITDA margin (%)	18.6	20.6	197bps	20.6	193bps
Adj. PAT	4,006	4,847	21	4,824	20
Adj. EPS (Rs)	3.92	4.74	21	4.72	20

(Rs mn)	Q1FY24	Q1FY25E	YoY vs BOBCAP (%)	Q1FY25E	YoY vs Consensus (%)
<b>Nestle</b>					
Sales	46,585	50,605	9	51,801	11
EBITDA	10,555	12,499	18	12,777	21
EBITDA margin (%)	22.7	24.7	204bps	24.7	201bps
Adj. PAT	6,983	8,240	18	8,453	21
Adj. EPS (Rs)	7.24	8.55	18	8.77	21

Source: BOBCAPS Research, Bloomberg

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