

Mixed Recovery Trends

- **FMCG companies commentary turned positive, suggesting visible uptick in demand trend post GST rate cuts**
- **While Rural continued to outperform Urban, the divergence seems to have narrowed**
- **Margins benefiting from softer input costs, though sustained growth depends on continued volume traction and operating leverage**

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FMCG — tailwinds to sustain growth momentum: FMCG sector delivered a resilient growth in Q3FY26, driven by GST-led grammage benefits and channel restocking supporting the near-term momentum, while margin expansion was modest. Among peers, TCPL/Marico/Nestlé India reported strong revenue growth of 15%/ 26.6% /18.3% YoY, respectively. On the profitability front, UBL/TCPL/Britannia Industries delivered robust EBITDA growth of 59.8%/28%/16.0% YoY. While October witnessed some impact from GST-led transitory disruptions, management commentaries indicated a sequential pickup in growth during November and December. Although the FMCG sector continues to see steady revenue growth, margin sustainability remains a key concern. Price hikes have not been sufficient to fully offset the rising input costs, driven by the weakness in INR and volatility in commodity prices; particularly for companies having significant exposure to palm oil and crude-linked derivatives.

Margin pressures and valuation risks intensify: Elevated valuation multiples add to the risk, as they may not adequately factor in the persistent cost volatility and the possibility of demand softening if price increases weigh on consumers. Companies like Dabur, HUL, and TCPL are passing on selective increases, but continue to absorb part of the cost burden, limiting margin recovery. With a large share of raw materials linked to global prices and imports, currency depreciation remains a key risk. While the demand is expected to improve in 2026, sustaining profitability will depend on effective cost control, pricing discipline, and managing valuation expectations amid persistent input volatility. The commentary from major FMCG players highlighted a stabilising demand, gradual rural recovery, steady urban trends, as also an improving volume growth momentum.

Top picks: Q3FY26 reaffirms the structural resilience of India's FMCG industry, with consumption recovery and premiumisation acting as important long-term growth drivers. We prefer Marico, considering its favourable risk-reward profile, along with Britannia as a structurally strong play.



Fig 1 – FMCG

Company	(Rs mn)	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	Key Highlights
Hindustan Unilever	Revenues	164,410	159,190	3.28	158,180	3.94	HUL reported consolidated revenue of Rs 164.4 bn; up 4% YoY with 4% volume growth. Gross margin at 51.4% was up 8 bps YoY, while EBITDA came in at Rs 37.8bn. EBITDA margin at 23%, down 32bps YoY - remained in line with the management guidance. PAT grew 120.9% YoY at Rs 66bn, primarily driven by a one-off positive impact arising from the Ice Cream demerger. Home Care/Beauty/Personal Care/Foods delivered USG of 3/6/6% respectively. HUL continued to investing in brands with A&P spending at 9.4% of sales. Management indicated that H2FY26 is expected to be stronger vs H1FY26, with FY27E anticipated to outperform FY26, driven by improving demand conditions and internal strategic interventions. Additionally, EBITDA margins are likely to stay within the guided range (22.5%–23.5% post ice cream demerger). Management indicated low single-digit pricing at the portfolio level, aligned to the current commodity movements. HUL remains committed to investing in growth while maintaining margins within the guided range.
	EBITDA	37,880	37,850	0.08	36,950	2.52	
	PAT	27,460	26,100	5.21	24,810	10.68	
ITC	Revenues	193,595	182,902	5.85	182,902	5.85	ITC continued its healthy performance with 6.2% YoY growth in revenue, driven by steady growth in Cigarettes and robust momentum in its FMCG businesses. EBITDA rose 7.6% YoY (up 8.3% YoY ex-of Paper business) to Rs62.7 bn, with margins improving by 63bps to 34.8%, supported by a favourable product mix and continued cost discipline. Net revenue from Cigarettes rose 7.9% YoY, indicating ~7% vol growth, supported by healthy consumer demand for premium offerings and differentiated variants. Cigarette EBIT margin contracted by 163 bps, primarily due to higher leaf tobacco costs and intensified competitive pressures. The FMCG segment delivered strong performance, with revenues up 11.1% YoY, driven by staples, biscuits, noodles, dairy, premium personal care, and agarbattis. ITC recently announced changes in GST and Excise Duty have resulted in a sharp hike in cigarette taxation, effective 1st Feb'26, materially altering the near-term earnings outlook for the cigarettes segment. Higher cigarette taxes are expected to weigh on volumes and profitability in the near term, offsetting earlier positives such as benign tobacco leaf prices, recovery in FMCG margins and stability in Paperboard business..
	EBITDA	62,712	58,284	7.60	58,284	7.60	
	PAT	50,888	54,214	(6.13)	56,383	(9.75)	
Nestle	Revenues	56,670	56,436	0.42	47,797	18.56	Nestle India delivered a robust Q3FY26 performance with domestic sales growth of 18.3% YoY to Rs 56.43bn. Growth was broad-based and volume-led, supported by a sustained recovery post GST normalisation, strong rural momentum, and continued traction across core categories. Nestle's gross margin declined 70bps YoY, due to elevated milk prices. However, there was a 140bps improvement on a QoQ basis, as coffee prices have moderated sequentially. EBITDA margins fell 150bps YoY at 21.3%, reflecting operating efficiencies, despite select input cost pressures. A&P spends were up 42% YoY, reinforcing brand strength and innovation-led growth. While milk prices stay firm and edible oil costs elevated, management remains confident on demand resilience, supported by technology-led distribution efficiencies, improving consumer trends, and a strong rural outlook heading into FY26.
	EBITDA	12,021	12,366	(2.79)	10,849	10.80	
	PAT	9,984	7,432	34.34	6,880	45.12	
Britannia	Revenues	49,698	48,406	2.67	45,926	8.21	Revenue came in at Rs 49.6 bn, up 8.2% YoY, reflecting stabilisation post GST transition. Gross margin expanded by 453 bps YoY to 43.3%, due to stable input inflation from flour, palm oil, and cocoa. EBITDA at Rs 9.8 bn, up 21.8% YoY and EBITDA margin at 19.7%, increased by 132 bps YoY. PAT came in at Rs 6.8 bn, up 17.1% YoY. Adjacency categories (Cake, Rusk, Croissant, Wafers) delivered double-digit growth. Importantly, E-commerce and Quick Commerce driving disproportionate growth, particularly in the indulgence and impulse segments. Impulse-led categories outperform staples (e.g., Marie), reflecting instant demand in digital channels. E-com profitability remains broadly similar to GT, with plans to incubate Digital-first innovations. Dairy continues to be a strategic focus while cheese growth was marginal. Britannia retains the #2 position in slices and is resetting strategy via innovation, pricing and a stronger JV collaboration.
	EBITDA	9,800	9,545	2.67	8,449	15.99	
	PAT	6,040	6,551	(7.79)	5,991	0.82	

Company	(Rs mn)	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	Key Highlights
GCPL	Revenues	40,991	38,251	7.16	37,684	8.78	<p>Consolidated revenue for GCPL grew by 8.8%YoY, with an underlying volume growth of 7%YoY. Domestic business reported volume/value growth of 11%/9%YoY. In domestic business, growth was driven by Home Care (+12%YoY) while Personal Care saw a meaningful recovery (7%YoY). Fabric Wash and Air Fresheners continued to gain market share, delivering a robust growth momentum.. However, Household Insecticides witnessed a softer performance, impacted by severe winter conditions, despite the company's outperformance in the category, on the back of superior product offerings. Personal Wash sustained the growth trajectory on improved affordability post GST cut, while maintaining competitive intensity and gaining market share amid a largely stable environment. We believe that in the medium-to-long term, GCPL's expansion path will be fueled by steady gains in Indian volumes, a rising share from the high-growth non-soap segments, and the ongoing cost control.</p>
	EBITDA	8,804	7,333	20.06	7,559	16.47	
	PAT	4,979	4,593	8.40	4,983	(0.08)	
Marico	Revenues	35,370	32,590	8.53	27,940	26.59	<p>Marico delivered a strong Q3FY26 performance, with consolidated revenue growth of 26.6% YoY (vs. 30.7% in Q2FY26). This was led by a sharp sequential recovery in India volumes to 6%, despite a muted demand environment. Core franchises performed well, with Parachute posting 15% YoY growth and Saffola Edible Oil rising 24%, driven largely by price hikes. VAHO declined 2% YoY, though the contraction moderated sequentially. Foods and D2C brands sustained strong growth momentum. International business reported a robust 16% cc growth, reflecting broad-based strength across markets. However, EBITDA margins declined 210bps YoY, impacted by higher-than-expected raw material inflation, particularly copra, even as the company maintained elevated A&P spends (+19% YoY) to support brand investments. While margins are likely to remain under pressure in Q4FY26E, management remains confident of delivering at least mid-teens topline growth for the year. We remain positive on Marico, supported by strong near-term growth visibility, a disciplined diversification strategy, and aggressive expansion of direct distribution, which should drive medium-term earnings accretion.</p>
	EBITDA	5,920	6,550	(9.62)	5,330	11.07	
	PAT	4,470	5,040	(11.31)	3,990	12.03	
TCPL	Revenues	51,120	49,659	2.94	44,436	15.04	<p>Q3'26 performance of TCPL remained strong and broadly in line with expectations, driven by healthy volume-led growth and continued margin expansion, with EBITDA margin improving by 139bps YoY to 14%. Revenue grew 15% YoY to Rs 51 bn, supported by 15% UVG in the India branded business. India Foods revenues rose 19% YoY, driven by the continued momentum in Salt (+14%) and strong growth in Tata Sampann (+45%), aided by new launches and premiumisation. India Packaged Beverages grew 3% YoY, with coffee up 40%. RTD business recorded a robust 26% growth, marking its second consecutive quarter of double-digit expansion. Overall, growth businesses delivered a strong 29% YoY growth. International business grew 11% YoY in cc terms, led by a strong performance in the Coffee segment in the US. Non-branded business grew 20% YoY on cc terms. Innovation remained a key growth driver in Q3FY26, with TCPL launching 15 new products across Health & Wellness, Convenience, and Premium segments. Key introductions included RTD tea/coffee extensions, premium salt, nutrition offerings under Tata Sampann, and new variants in Capital Foods and Organic India. A&P spends stayed strong at 6.8% of revenue, supporting faster go-to-market execution and portfolio premiumisation, thereby sustaining growth across core and emerging categories like Energy and Functional Beverages.</p>
	EBITDA	7,207	6,718	7.28	5,647	27.61	
	PAT	3,846	4,045	(4.91)	2,789	37.91	
Dabur	Revenues	35,587	31,913	11.51	33,553	6.06	<p>Consolidated revenues grew 6.1% YoY, driven by ~6% growth in India FMCG and 11.1% YoY growth in international businesses. This was driven by steady volume-led growth and continued market share gains across key categories. The India FMCG business grew ~6% YoY with volumes up ~3% YoY, supported by strong momentum in Hair Oils (+19% YoY), Foods (+14% YoY), Oral Care (~10% YoY) and Digestives. Rural demand continued to outperform urban markets for the eighth consecutive quarter, aided by Dabur's deep distribution reach across ~133,000 villages. E-commerce and modern trade remained the key growth drivers in urban India. International business delivered a robust 11.1% YoY growth, led by Turkey, MENA, the US and Bangladesh. New product development (NPD) contributed ~2-3% to incremental growth, with healthy traction from recent launches across oral care, hair care, home care and foods. Management expects FY27 growth to be more volume-led, supported by GST benefits, easing inflation and improving rural demand; while continuing to invest in brands and distribution. With easing inflation, GST-led demand recovery and a favourable mix shift, Dabur expects steady improvement in profitability and sustainable medium-term returns</p>
	EBITDA	7,341	5,881	24.84	6,819	7.66	
	PAT	5,600	4,526	23.74	5,224	7.20	

Company	(Rs mn)	Q3FY26	Q2FY26	QoQ (%)	Q3FY25	YoY (%)	Key Highlights
United Breweries	Revenues	20,714	20,511	0.99	19,984	3.65	<p>UBL reported a resilient Q3FY26. Revenue grew 3.7% YoY to 20.7bn, primarily on a favourable price/mix, despite a 1.3% volume decline amid state-level disruptions and demand normalisation. Gross profit rose 9% YoY to 9.3bn, with margins expanding 222bps YoY to 45.3% (the highest in 3 years). EBITDA margin improved to 10.9%, expanding to 382 bps YoY and 457 bps QoQ, on operating leverage and cost efficiencies. PAT jumped 111% YoY to 8bn due to the improvement in pricing actions in key states and by premium localisation benefits. Outperformance in the Premium portfolio continued with 23% YTD growth, raising contribution to the overall mix. Overall, profitability improvement was sharper vs revenue growth, highlighting operating leverage benefits. Management expects industry growth to be ~6–7% over the medium term. Karnataka is entering a favourable base, aiding recovery, while Maharashtra remained strong. Barley inflation is expected in high single digits, due to MSP hikes, though sourcing is localised; rising global aluminium prices stay monitorable</p>
	EBITDA	2,255	1,301	73.33	1,411	59.82	
	PAT	808	469	72.28	383	110.97	
Zydus Wellness	Revenues	9,649	6,505	48.33	4,619	108.90	<p>In Q3FY26, Zydus Wellness reported a robust consolidated revenue of Rs 965cr (up 108.9% YoY / 48.3% QoQ), driven largely by the recent acquisitions and broad-based growth across portfolio. EBITDA expanded largely to Rs 61cr (up 312.2% YoY / 185.0% QoQ), reflecting improved operating leverage and cost management. Despite higher advertising and promotional spending, EBITDA margins improved meaningfully. However, on a PAT basis, the company reported a consolidated net loss of Rs 39.9 cr in Q3FY26 — a significant swing from a profit year ago quarter, mainly due to acquisition-related costs, financing expenses and exceptional items. Management has guided for a consolidated gross margin of 66-67% and domestic OPM of 16-18% (>14% margin in CC) in the near term. Further, it guided FY26 as a bottom and expects PAT-level accretion from FY27.</p>
	EBITDA	610	230	165.22	148	312.16	
	PAT	(399)	(528)	(24.43)	64	(723.44)	

Source: Company, BOBCAPS Research

Fig 2 – Recommendation Snapshot

Coverage Stocks	Recommendation		Target Price (Rs)
	Pre-result	Post-result	
GCPL	HOLD	HOLD	1,251
Marico	HOLD	BUY	866
TCPL	BUY	HOLD	1,286
Nestle	HOLD	HOLD	1,370
Dabur	HOLD	HOLD	535
Britannia	HOLD	HOLD	6,348
Hindustan Unilever	BUY	HOLD	2,510
ITC	BUY	BUY	369
United Breweries	HOLD	HOLD	1,794

Source: Company, BOBCAPS Research

Fig 3 – Valuation Table

Consumer	Mcap (Rs bn)	Sales CAGR FY25-28E (%)	EBITDA CAGR FY25-28E (%)	PE (x)				EV/Sales (x)				EV/EBITDA (x)			
				FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E	FY25	FY26E	FY27E	FY28E
Britannia Industries	1470	9.7	10.7	67.2	62.0	54.9	48.6	8.3	7.6	6.9	6.3	46.7	43.3	38.4	34.4
Dabur India	888	6.0	8.0	51.2	48.8	40.1	37.5	7.2	6.9	6.5	6.1	39.1	37.1	33.6	31.3
Godrej Consumer Products	1213	9.8	10.4	65.0	59.1	49.8	45.3	8.7	8.0	7.2	6.5	41.4	39.4	33.3	30.8
Hindustan Unilever	5366	6.7	7.0	51.2	51.6	46.3	42.0	8.6	8.4	7.8	7.1	36.8	36.6	32.9	30.0
ITC	4082	5.5	5.3	20.7	18.9	18.2	17.3	5.7	5.4	5.1	4.8	17.3	16.2	15.6	14.8
Marico	1011	14.0	10.0	63.0	59.7	52.9	45.5	9.5	7.8	7.1	6.4	48.0	44.9	39.6	35.6
Nestle India	2461	6.7	6.9	82.3	78.9	68.1	57.0	6.2	5.5	5.0	4.5	26.3	25.0	21.0	18.8
Tata Consumer Products	1143	12.4	16.3	88.9	70.5	61.8	50.0	6.3	5.5	4.9	4.5	45.0	39.4	33.5	28.6
United Breweries	426	10.6	19.5	91.4	91.3	64.8	47.5	4.8	4.5	4.0	3.5	50.8	50.6	38.5	29.8
Zydus Wellness	127	30.4	36.0	48.1	45.2	33.2	25.5	6.0	4.0	3.0	2.6	42.7	28.6	19.8	16.5

Source: Company, BOBCAPS Research

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