


CONSUMER STAPLES

| Q4FY26 Preview

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Steady volume momentum

- **GST-led demand stabilisation is now fully reflected in trade channels, with a steady improvement in consumption expected from Q4 onwards**
- **Margins likely to remain stable, though higher A&P spends and volatile key commodity prices may limit sharp expansion**
- **TCPL, Marico, Britannia remain our preferred picks, supported by steady volume momentum**

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Mixed category trends; international business to remain a drag

We expect mix trends in consumer staples in March quarter with gradual volume growth and expect the FMCG sector to deliver high single-digit revenue growth in Q4FY26 across industry, while international business remains a drag. On the margin front, we expect all companies have been impacted given the price volatility in commodity prices. Tata Consumer is expected to maintain strong momentum driven by foods business whereas HUL is likely to post stable mid-single digit volume-led growth. On the international front, geopolitical tensions in the Middle East and tariff-related uncertainties are likely to weigh on export-oriented businesses. Tata Consumer, Marico and Dabur have exposure in these regions will be impacted international revenue, given their dependence on the US and MENA markets. Category momentum is expected to remain healthy across core segments such as home and personal care and select food categories, supported by continued premiumisation and steady traction in daily-use products. However, growth in broader packaged foods and beverages is likely to stay subdued, reflecting uneven consumption trends and possible weather-related disruptions. International business is expected to remain a key overhang, particularly in regions impacted by geopolitical tensions, which could weigh on demand and disrupt supply chains. As a result, companies with higher overseas exposure are likely to underperform relative to domestically focused peers. Most companies (like Marico and Dabur) are likely to report high single-digit volume growth, indicating real demand pickup rather than price-led growth.

Sector view

We expect companies like Britannia, Nestle and Marico to comparatively do better in this challenging environment due to its strong market positioning. We expect weaker performance by ITC post the changes in cigarette taxation impacting volumes. We estimate a modest EBITDA margin expansion across our coverage.



Easing input costs and seasonal tailwinds to support margins

The margin environment for FMCG companies is expected to remain favourable, supported by moderation in certain key input costs such as crude-linked derivatives, edible oils, coffee, copra and select agri commodities. This is likely to aid gross margin expansion, following the pressure witnessed in earlier periods due to elevated commodity prices. On the demand front, volume growth is expected to be supported by seasonal tailwinds, particularly in summer-driven categories such as beverages, personal care and select food segments. Unlike the previous year, when unseasonal weather conditions impacted consumption, relatively normal weather patterns are likely to aid a recovery in demand across these categories. Consequently, the sector is expected to see a gradual improvement in consumption trends, led by both base effect and underlying demand recovery.

Fig 1 – Q4FY26 Estimates

Companies	Q4FY26E (Rs mn)			Q4FY5 (Rs mn)			YoY (%)		
	Sales	EBITDA	PAT	Sales	EBITDA	PAT	Sales	EBITDA	PAT
Hindustan Unilever	163,818	36,526	27,321	156,700	36,190	24,750	4.5	0.9	10.4
ITC	189,272	56,736	46,246	184,941	59,864	195,616	2.3	(5.2)	(76.4)
Nestlé India	63,016	15,274	9,650	55,039	13,890	8,735	14.5	10.0	10.5
Britannia Industries	50,236	8,825	6,263	44,322	8,052	5,638	13.3	9.6	11.1
Godrej Consumer Products	40,636	8,482	5,557	35,980	7,592	4,119	12.9	11.7	34.9
Tata Consumer Products	52,544	7,853	4,972	46,082	6,210	3,449	14.0	26.5	44.1
Dabur India	30,591	4,755	3,699	28,301	28,301	3,201	8.1	(83.2)	15.6
Marico	28,938	4,811	3,481	27,300	4,580	3,430	6.0	5.0	1.5
United Breweries	23,693	1,670	1,222	23,230	1,867	978	2.0	(10.6)	25.0

Source: Company, BOBCAPS Research

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Note: Recommendation structure changed with effect from 21 June 2021

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