


CONSUMER STAPLES

30 September 2025

Roll forward of valuation to Sep-27 on pre-GST forecasts

- **HUL update indicates that GST transition has created short-term sales volatility in FMCG, with Sep, Oct demand adversely impacted**
- **Retain pre-GST forecasts. Risk of downside on 2Q, 3Q; upside on 4Q. We roll forward valuation to Sep 2027 EPS**
- **Valuation rollover to Sep 27 driven changes to ratings – Upgrade to Buy - Marico, UB and Dabur. Downgrade to Sell; Zydus Wellness**

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Sector Summary: Hindustan Unilever update indicates that GST transition has created short-term sales volatility in FMCG, with September and October demand adversely impacted. Distributors are reducing inventory and aligning to new price points. 2QFY26 and 3QFY26 carry downside risk. Upside risk exists for the March 2026 quarter assuming trade stabilises. Our forecasts exclude the GST impact for now. More clarity should emerge as companies report 2QFY26 results and update on pipeline inventory, its pricing status and GST-benefit pass through status at point of sales. Using existing, pre-GST EPS forecasts 12 months to Sep-27, and pre-GST assigned P/E valuation multiples, the derived target prices indicate an upgrade and downgrade of stocks. Upgrades to Buy are Marico, Dabur and United Breweries. Downgrade to Sell is Zydus Wellness.

Marico: Marico has multiple growth levers in place such as improving margins via changes in sales and mix, reducing commoditized portfolio exposure, and increasing presence in the high growth digital space. We expect volumes to gather pace in 2HFY26 as competitors follow pricing. High growth Food and Premium Personal Care portfolios will continue the improving sales and profitability trajectory.

Tata Consumer: Normalisation of tea costs should help margins from 2HFY26. Normalisation of tea costs should help margins from 2HFY26. Medium to long term, overall margin profile should improve with the scale up in growth businesses and mix accretion from Capital Foods and Organic India.

Hindustan Unilever: HUVR's industry leading distribution network and a diversity of portfolio enables benefit from the combination of its rural exposure – to tap into the rising the consumption in value segment; and focus on premiumization – to capture a greater share of the fast growth affluent, and affluent plus consumer segments.

ITC: Prospects remain from share gains from illicit trade in cigarettes and distribution gains driven scale up of FMCG businesses.



Roll forward and revision in ratings

Fig 1 – 12m to Sep 2027 EPS derived target prices with existing P/E multiples

	EPS (INR/share) - 12m to		P/E Multiple	Target price (INR/share) on 12m to		Rating
	Sep-27	Dec-27		Sep 2027 EPS	Dec 2027 EPS	
Tata Consumer	25	27	55.0x	1,361	1,472	Buy
Godrej Consumer	27	28	45.0x	1,222	1,240	Hold
United Breweries	34	35	64.0x	2,182	2,221	Buy
Dabur	12	13	47.0x	580	596	Buy
Britannia	125	129	47.5x	5,936	6,137	Hold
Marico	18	19	45.0x	817	838	Buy
Hindustan Unilever	56	57	53.0x	2,968	3,017	Buy
ITC*	20	21	20.3x	532	544	Buy
Nestle India	39	39	65.0x	1,255	1,282	Hold
Zydus Wellness	74	75	29.0x	2,149	2,162	Sell

Source: Company, Bloomberg, BOBCAPS Research

United Breweries – UB’s strategy of increasing share of premium to create a buffer for its earnings is the right approach to reduce earnings volatility and improve returns. However, growth targets are stretched on both volumes and margins.

Dabur – Dabur’s target of high single digit sales growth is achievable given recent improvement and stable distributor inventory. However, its target of “meaningful” improvement in margins is unlikely without a considerable slowdown in business reinvestments. Slow spending over a period of one year can adversely impact sales growth trajectory.

Zydus Wellness – Zydus Wellness expects to grow sales in double digits with margins reaching 18% over the medium term. We forecast 10% sales CAGR over FY25-FY28 driven by improving performance in the non-seasonal business and high growth in the Naturell business. However, our margin forecasts are lower vs guidance as we are yet to see sustained evidence of operating leverage in the business. While Naturell is faster growth vs average, it is margin dilutive.

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BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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