

FIRST LIGHT 26 September 2025

RESEARCH

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No positive read through for Indian players

CONSUMER STAPLES

GST changes and Macro refresh

SUMMARY

ACCENTURE

- Organic growth guidance of FY26 (Aug YE) of 2% is lower than actual 4% in FY25. ACN indicated no material change in demand either way
- Gen Al revenue was <4% of total in FY25. Enterprise-wide Al adoption remains slow and value realization underwhelming
- We think the pickup in consensus revenue growth for key Tier-1 Indian companies at 4-7% for FY27 (March YE) is at risk

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CONSUMER STAPLES

- GST cuts shift packaged food and personal care to 5%, improving affordability; homecare and alcohol remain unchanged
- Rural demand supported by above avg monsoon, rising crop sowings and MSPs; urban recovery on easing CPI, personal income tax cuts
- Britannia, Nestlé India, Dabur, leading beneficiaries; Marico and Tata
 Consumer moderate, United Breweries unaffected

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IT Services

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FY25 was better than initial guidance. Seems to be gaining share in managed services: As can be seen in Fig 1, organic revenue growth in FY25 (YE August) at 4% was much better than the 1.5% guidance at the beginning of FY25 and is great for a company that is >2x the size of TCS in the current environment. Believe part of this has to do with significant performance in managed services (9% up in LC terms YoY) where we believe it has taken significant share away from Indian players who are its main competitors. Also, the fears around DOGE do not seem to have played out with Accenture Federal Services business (~8% of its revenue in FY24) largely holding up (our calculations indicate just 2.5% dip in FY25).

With only 5% of US employees on H1-B visas, it is better placed to weather challenges on this front: This is unlike some of the Tier-1 Indian companies where this number is 20-50%.

Low value realization on many enterprise AI investments could spell trouble for the large AI capex being done by hyperscalers. Also believe AI will be used more for generating cost savings in a difficult business environment than on growth by end customers.

Read through for the Indian companies

- We think any material improvement in 2HFY26 for Indian companies is unlikely as they go into seasonally weak period.
- The significant market share shift in managed services which is a key area where Indian players compete with Accenture – indicates need for additional investments in capability building, sales or even pricing going ahead.
- The TTM TCV for FY25 was marginally down YoY, indicating weak demand conditions and potential value compression from Gen AI, despite statements to the contrary from Accenture.
- Restructuring costs for a third year going into FY26 for Accenture indicates problems with reskilling a large workforce. Something we see impacting Indian companies too. Already TCS and HCLT have initiated restructuring in FY26.





CONSUMER STAPLES

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GST changes and Macro refresh

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Summary: The combination of GST reset, easing inflation, above average monsoon, higher MSPs and personal income tax cuts, is creating a favourable demand backdrop for FY26. Sector valuations are at a premium to long-term averages – volume delivery over FY26 needs to be closely monitored.

GST cuts and implications: Most packaged foods and personal care products have shifted to 5% GST from the current 12%-18%. FMCG companies with high India sales exposure are positioned to benefit. Home care remains unchanged at 18% and alcohol under state excise – status quo for United Breweries. FMCG companies are passing through GST benefits via lower MRPs or higher grammage, supporting consumption.

Rural and Urban drivers: Rural demand is supported by a second consecutive above average monsoon, higher crop sowings (+3% YoY overall), and rising MSPs, with income gains likely to reflect from October harvest payouts. Urban recovery is aided by easing CPI trends, personal income tax cuts (benefits started May 2025), and GST rationalisation. These drivers collectively improve purchasing power and reduce downtrading pressures, positioning branded FMCG volumes for an improving demand outlook though the remainder of FY26.

Commodity update: Commodity inflation is easing with key ingredients of palm oil, sugar, wheat, and tea either stable or down YoY. Input cost relief, coupled with operating leverage from higher demand, should support profitability improvement through FY26.

Key beneficiaries: Britannia and Nestlé India are leading beneficiaries due to large exposure to India in packaged foods. Dabur and HUL should see gains in personal care and juices, even as their homecare portfolio remains in status quo. Marico and Tata Consumer benefit to a lesser extent given part of their portfolio was already in the 5% GST bracket. ITC's non-cigarette FMCG exposure is modest, and United Breweries remains unaffected. Companies with strong rural penetration are best placed to leverage on GST cuts and macro recovery.





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