

Q1FY2026 Results Review

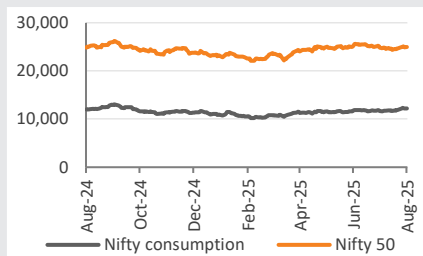
Sector:	Consumer Goods
Sector View:	Neutral

Coverage universe

Company	CMP (Rs)	Reco	PT (Rs)
Allied Blenders & Distillers	511	Positive	594
Asian Paints#	2,495	Hold	2,704
Britannia Industries	5,546	Buy	6,025
Colgate-Palmolive (India)	2,284	Buy	2,687
Dabur India	519	Buy	623
Emami	586	Buy	690
Godrej Consumer Products	1,262	Buy	1,432
Hindustan Unilever	2,627	Buy	2,832
Indigo Paints#	1,126	Buy	1,279
ITC	399	Buy	505
Jyothy Labs	347	Buy	395
Marico	726	Buy	825
Mrs. Bectors Food Specialities	1,367	Positive	1,766
Nestle India	1,153	Buy	1,300
Radico Khaitan	2,913	Buy	3,428
Tata Consumer Products	1,083	Buy	1,278
Varun Beverages	516	Positive	645
Zydus Wellness	1,979	Buy	2,304

Source: Company, Mirae Asset Sharekhan Research estimates
#Change in PT

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Consumer Goods

Steady Q1; volumes, margins to recover gradually

Summary

- Consumer goods companies' volumes improved q-o-q on early signs of an urban consumption revival and sustained rural demand. However, early monsoons impacted certain categories, dragging overall revenue growth.
- OPM stayed stressed on high-cost raw material inventory along with some volatility in RM prices.
- H2FY26 is set to be better led by gradual improvement in volume growth, upcoming festive season, bottoming out of margin pressure and companies' own initiatives to accelerate growth such as premiumization, innovations and acquisitions.
- Preferred picks:** Hindustan Unilever, Marico, Godrej Consumer Products, Radico Khaitan and Allied Blenders & Distillers.

Consumer goods companies registered q-o-q improvement in volume growth in Q1FY26, backed by better macros (softer inflation, increased disposable income, etc.). Urban markets continued to lag rural markets, however signs of urban recovery were visible in Q1. Emerging channels continued to drive growth and improve the sales mix for consumer companies. Sharekhan's consumer goods universe's revenue grew by 8.3% y-o-y with volume growth in low-mid single-digits. Alcoholic beverage companies outperformed staples and paints companies on all fronts. Gross margins fell y-o-y due to high-cost raw material inventory and volatility in prices of few inputs, while OPM was hit by a fall in gross margins and negative operating leverage. Nine out of 18 companies under our coverage witnessed a dip in the OPM. Our consumer goods universe's operating profit and PAT grew by 0.3% and 2.8% y-o-y, respectively, in Q1FY26.

- Volume growth better q-o-q:** Volume growth improved q-o-q as the rural market continued to perform well, while urban demand also picked up. Overall, our consumer goods universe clocked 8.3% y-o-y revenue growth, with six out of 18 companies posting double-digit revenue growth. Paint companies and companies with summer-centric portfolio (juices, drinks, skin products and ice creams) were affected by early monsoons which hit revenue growth. Within staples, Marico and GCPL delivered healthy growth led by the Parachute portfolio and strong performance in home care segment, respectively. Alcoholic beverage companies saw continued growth momentum, aided by favourable state excise policies in key markets like Uttar Pradesh and Andhra Pradesh, and healthy P&A demand.
- OPM pressure sustains:** In Q1FY26, gross margins of consumer goods companies were hit by high-cost raw material inventory and some volatility in RM prices. This coupled with lower operating leverage put stress on OPM. Around 9 out of 18 companies saw OPM fall by 100-600 bps. Overall, our consumer goods universe's OPM stood at 23.1% (decline of 183 bps y-o-y). Lower revenue growth and contraction in margins led to decline in PAT/muted PAT growth for most companies under coverage (except alcoholic beverage companies). Sharekhan's consumer goods universe PAT grew by 2.8% y-o-y in Q1FY26.
- Sector outlook - Gradual recovery in volumes and margins:** Volume growth for most companies improved q-o-q in Q1FY26 led by sustained rural demand and recovery in urban demand. Volume growth momentum is likely to improve in coming quarters aided by good monsoon, moderation in urban inflation and government impetus to aid volume recovery. Most consumer goods companies have completed price hikes to offset raw material inflation. As a result, price-led growth, coupled with an expected uptick in volumes, would aid revenue growth going ahead. We believe large improvement in the volume growth could be seen in H2FY26 in a stable demand environment. Market share gains, distribution expansion, and new product launches should help volume growth to improve in the medium to long run. We expect margins to have bottomed out in Q1, with RM inflation easing and new inventory coming in, we might see margin expansion from H2FY26. Focus on improving product mix, operating efficiencies and cost saving initiatives will help to improve OPM in the medium to long term.

Outlook

Valuation and Picks: In an uncertain environment, we remain selective in the space and prefer companies with relatively goods earnings growth outlook and discounted valuations as compared with historical average availing better risk-reward ratio. Among large caps, we like HUL due to its differentiated strategies across segments and target of double-digit EPS growth in the long term. In the mid-to-large cap space we like Marico and Godrej Consumer Products which are expected to benefit from gradual demand recovery in the coming quarters, while in the small-cap space we prefer Radico Khaitan and Allied Blenders and Distillers due to their focus on increasing share of P&A brands.

Q1FY26 Leaders: Allied Blenders & Distillers, Radico Khaitan and Marico

Q1FY26 Laggards: Asian Paints, Colgate-Palmolive (India) and Nestle

Preferred Picks: Hindustan Unilever, Marico, Godrej Consumer Products, Radico Khaitan and Allied Blenders & Distillers

Q1FY26 performance table

Particulars	Net sales (Rs. crore)			OPM (%)			Adjusted PAT (Rs. crore)		
	Q1 FY26	Q1 FY25	Y-o-Y (%)	Q1 FY26	Q1 FY25	Y-o-Y (bps)	Q1 FY26	Q1 FY25	Y-o-Y (%)
Allied Blenders & Distillers	923	758	21.8	12.1	9.8	231	56	11	-
Asian Paints	8,939	8,970	-0.3	18.2	18.9	-70	1,081	1,150	-6.0
Britannia Industries	4,622	4,250	8.8	16.4	17.7	-135	525	530	-1.0
Colgate-Palmolive (India)	1,434	1,497	-4.2	31.6	34.0	-241	321	364	-11.9
Dabur India	3,405	3,349	1.7	19.6	19.6	6	509	495	2.9
Emami	904	906	-0.2	23.7	23.9	-20	183	170	7.9
Godrej Consumer Products	3,662	3,332	9.9	19.0	21.8	-283	472	471	0.2
Hindustan Unilever	15,931	15,339	3.9	22.3	23.5	-117	2,825	2,573	9.8
Indigo Paints	309	311	-0.7	14.3	15.2	-89	26	27	-2.2
ITC	19,750	16,373	20.6	31.7	37.2	-547	4,912	4,820	1.9
Jyothy Labs	761	742	2.6	17.1	18.0	-87	96	102	-5.4
Marico	3,259	2,643	23.3	20.1	23.7	-359	513	474	8.2
Mrs. Bectors Food Specialities	497	439	13.1	13.4	14.5	-111	41	35	16.0
Nestle India	5,096	4,814	5.9	21.6	23.1	-156	659	747	-11.7
Radico Khaitan	1,506	1,137	32.5	15.4	12.9	248	135	74	81.5
Tata Consumer Products	4,779	4,352	9.8	12.7	15.3	-263	387	368	5.3
Varun Beverages*	7,017	7,197	-2.5	28.5	27.7	82	1,327	1,262	5.1
Zydus Wellness	861	841	2.4	18.0	18.5	-43	143	148	-3.5
Grand Total	83,655	77,249	8.3	23.1	24.9	-183	14,210	13,820	2.8

Source: Company; Mirae Asset Sharekhan Research; *Values are for Q2CY25 and Q2CY24

Valuations

Company	CMP (Rs.)	PE (x)			Reco.	Target Price (Rs.)
		FY25	FY26E	FY27E		
Allied Blenders & Distillers	511	73.3	57.9	43.0	Positive	594
Asian Paints	2,495	60.0	53.0	45.2	Hold	2,704#
Britannia Industries	5,546	60.4	53.5	47.9	Buy	6,025
Colgate-Palmolive (India)	2,284	44.5	42.5	38.2	Buy	2,687
Dabur India	519	52.8	46.8	41.6	Buy	623
Emami	586	29.3	27.1	24.7	Buy	690
Godrej Consumer Products	1,262	67.4	54.8	46.5	Buy	1,432
Hindustan Unilever	2,627	60.2	58.5	52.9	Buy	2,832
Indigo Paints	1,126	37.7	35.3	30.8	Buy	1,279#
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Jyothy Labs	347	34.1	33.3	30.0	Buy	395
Marico	726	56.5	54.5	45.2	Buy	825
Mrs. Bectors Food Specialities	1,367	58.6	51.4	40.4	Positive	1,766
Nestle India	1,153	36.1	33.2	29.3	Buy	1,300
Radico Khaitan	2,913	112.7	70.3	52.7	Buy	3,428
Tata Consumer Products	1,083	78.1	66.1	55.1	Buy	1,278
Varun Beverages*	516	67.2	53.7	43.6	Positive	645
Zydus Wellness	1,979	36.8	30.7	25.8	Buy	2,304

Source: Company; Mirae Asset Sharekhan Research; *Values are for CY24, CY25E and CY26E; #Change in PT

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