



Q4FY2025 Results Review

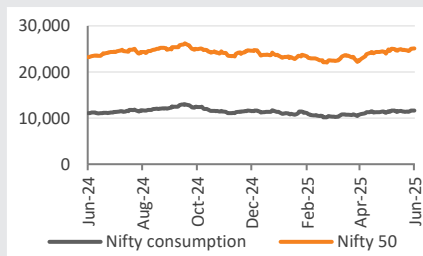
Sector:	Consumer Goods
Sector View:	Neutral

Coverage universe

Company	CMP (Rs)	Reco	PT (Rs)
Allied Blenders & Distillers	443	Positive	495
Asian Paints	2,220	Hold	2,475
Britannia Industries	5,661	Buy	6,287
Colgate-Palmolive (India)	2,450	Buy	2,829
Dabur India	490	Buy	570
Emami	583	Buy	745
Godrej Consumer Products	1,213	Buy	1,432
Hindustan Unilever	2,395	Buy	2,755
Indigo Paints	1,121	Buy	1,234
ITC	427	Buy	522
Jyothy Labs	346	Buy	395
Marico	698	Buy	825
Mrs. Bectors Food Specialities	1,392	Positive	1,766
Nestle India	2,435	Buy	2,680
Radico Khaitan	2,649	Buy	2,951
Tata Consumer Products	1,115	Buy	1,340
Varun Beverages	477	Positive	689
Zydus Wellness	1,945	Buy	2,304

Source: Company, Mirae Asset Sharekhan Research estimates

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Consumer Goods

Subdued Q4; eyeing gradual recovery

Summary

- Consumer goods companies registered muted volume growth in Q4FY25 as demand remained subdued amid urban weakness. Revenue growth was partly aided by both improved pricing and resilient rural demand.
- Key raw material (tea, palm oil, coffee, etc.) prices remained elevated. Gross margin compression and adverse operating leverage led to a decline in OPM, despite controlled advertising & promotion (A&P) spends.
- Volume growth is expected to improve gradually, supported by income tax benefits, interest rate cuts, lower food/crude inflation and likely normal monsoon. With input costs remaining high and volume growth yet to pick up, OPM improvement is expected to stay limited in the near term.
- Preferred picks:** Hindustan Unilever, Marico, Emami, Godrej Consumer Products, Radico Khaitan and Allied Blenders & Distillers.

Consumer goods companies saw another quarter of muted volume growth in Q4FY25 as demand remained subdued during the quarter. Volume growth across most companies was limited to low-mid single-digits. Revenue growth was partly aided by both improved pricing and resilient rural demand, while urban demand continued to be subdued. Traditional channels remained sluggish, whereas emerging channels continued to drive growth and improve the sales mix. Sharekhan's consumer goods universe's revenue grew by 7.4% with volume growth in low-mid single-digits. Alcoholic beverage companies outperformed staples and paint companies on all fronts. Gross margins were lower y-o-y due to higher raw material prices, while OPM was hit by a fall in gross margins and negative operating leverage despite controlled ad spends. 13 out of 18 companies under our coverage witnessed a dip in the OPM. Our consumer goods universe's PAT declined by 0.9% y-o-y in Q4FY25.

- Price-led revenue growth as volume growth continued to be muted:** Consumer goods companies witnessed another quarter of muted volume growth in Q4FY25 due to soft urban demand, though rural continued to recover. Volume growth stood in low-mid single-digits for most companies under our coverage. Revenue growth was partly aided by both improved pricing and resilient rural demand. Overall, Sharekhan's consumer goods universe clocked a 7.4% y-o-y revenue growth. Paint companies were affected by subdued demand, high competitive intensity and a weak mix which hit revenue growth, while adverse leverage continued to weigh on OPM. Alcoholic beverage companies saw continued growth momentum, driven by the new Andhra Pradesh liquor policy and healthy P&A demand.
- Input cost inflation and negative leverage hit OPM:** In Q4FY25, gross margins of consumer goods companies were impacted due to higher input prices. This coupled with lower operating leverage put stress on OPM. Around 9 out of 18 companies saw a decline in the OPM in the range 100-300 bps. Overall, our consumer goods universe's OPM stood at 23.4% (decline of 124 bps y-o-y). Lower revenue growth and decline in margins led to decline in PAT/muted PAT growth for most companies under coverage. Sharekhan's consumer goods universe PAT declined by 0.9% in Q4FY25.
- Sector outlook - Volumes and margins to recover gradually:** Management of most of the consumer good companies have indicated for a cautious outlook in the near term with volume growth expected to gradually pick up from Q1/Q2FY26 driven by expectations of good monsoon, moderation in urban inflation and government impetus to aid a 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 in the coming quarters. 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. On the margin front, we expect margins to remain under stress in the near term. However, if input prices stabilise in the coming months, 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, Godrej Consumer Products and Emami 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.

Q4FY2025 Leaders: Allied Blenders & Distillers, Radico Khaitan, Varun Beverages and Zydus Wellness

Q4FY2025 Laggards: Asian Paints, Colgate-Palmolive (India) and Dabur India

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

Q4FY25 performance table

Particulars	Net sales (Rs. crore)			OPM (%)			Adjusted PAT (Rs. crore)		
	Q4 FY25	Q4 FY24	Y-o-Y (%)	Q4 FY25	Q4 FY24	Y-o-Y (bps)	Q4 FY25	Q4 FY24	Y-o-Y (%)
Allied Blenders & Distillers	921	768	19.9	14.8	7.8	698	79	-2	-
Asian Paints	8,359	8,731	-4.3	17.2	19.4	-219	824	1,250	-34.1
Britannia Industries	4,432	4,069	8.9	18.2	19.4	-118	564	540	4.3
Colgate-Palmolive (India)	1,463	1,490	-1.8	34.1	35.7	-166	355	380	-6.5
Dabur India	2,830	2,815	0.6	15.1	16.6	-150	313	342	-8.5
Emami	963	891	8.1	22.8	23.7	-89	180	166	8.5
Godrej Consumer Products	3,598	3,386	6.3	21.1	22.5	-136	443	562	-21.2
Hindustan Unilever	15,214	14,857	2.4	22.8	23.1	-34	2,510	2,395	4.8
Indigo Paints	388	385	0.7	22.6	22.0	58	57	54	5.4
ITC	17,248	15,734	9.6	34.7	37.1	-242	4,875	4,837	0.8
Jyothy Labs	667	660	1.1	16.8	16.4	36	80	78	2.0
Marico	2,730	2,278	19.8	16.8	19.4	-263	345	320	7.8
Mrs. Bectors Food Specialities	446	406	9.8	12.5	14.4	-198	34	34	2.0
Nestle India	5,504	5,268	4.5	25.2	25.6	-37	885	924	-4.2
Radico Khaitan	1,304	1,079	20.9	13.6	11.4	225	91	57	59.5
Tata Consumer Products	4,608	3,927	17.3	13.5	16.0	-256	407	427	-4.8
Varun Beverages*	5,567	4,317	28.9	22.7	22.9	-20	732	548	33.5
Zydus Wellness	913	783	16.7	20.9	20.7	14	172	150	14.3
Grand Total	77,154	71,842	7.4	23.4	24.7	-124	12,945	13,062	-0.9

Source: Company; Mirae Asset Sharekhan Research

*Values are for Q1CY25 and Q1CY24

Valuations

Company	CMP (Rs.)	PE (x)			Reco.	Target Price (Rs.)
		FY25	FY26E	FY27E		
Allied Blenders & Distillers	443	63.3	51.5	38.2	Positive	495
Asian Paints	2,220	45.0	37.3	33.2	Hold	2,475
Britannia Industries	5,661	61.6	54.7	48.6	Buy	6,287
Colgate-Palmolive (India)	2,450	47.8	43.4	39.0	Buy	2,829
Dabur India	490	50.0	44.5	39.5	Buy	570
Emami	583	29.2	26.4	23.5	Buy	745
Godrej Consumer Products	1,213	64.9	52.5	44.1	Buy	1,432
Hindustan Unilever	2,395	54.9	52.0	47.2	Buy	2,755
Indigo Paints	1,121	37.6	33.6	29.0	Buy	1,234
ITC	427	26.5	24.1	21.5	Buy	522
Jyothy Labs	346	33.9	32.0	28.8	Buy	395
Marico	698	54.5	48.8	42.3	Buy	825
Mrs. Bectors Food Specialities	1,392	59.7	50.4	40.0	Positive	1,766
Nestle India	2,435	76.1	68.0	60.0	Buy	2,680
Radico Khaitan	2,649	102.7	66.2	51.1	Buy	2,951
Tata Consumer Products	1,115	80.2	64.5	54.1	Buy	1,340
Varun Beverages*	477	62.0	48.2	38.8	Positive	689
Zydus Wellness	1,945	36.2	30.2	25.3	Buy	2,304

Source: Company; Mirae Asset Sharekhan Research;

*Values are for CY24, CY25E and CY26E

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Registered Office: 1st Floor, Tower No. 3, Equinox Business Park, LBS Marg, Off BKC, Kurla (West), Mumbai 400 070, Maharashtra, India. Tel: 022-67502000.

Correspondence/Administrative Office Address - Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai - 400708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited - (AMFI-registered Mutual Fund Distributor), Research Analyst Regn No.: INH000006183. CIN: U99999MH1995PLC087498.

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Compliance Officer: Mr. Joby John Meledan; Tel: 022-4657 3809; email id: complianceofficer@sharekhan.com

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