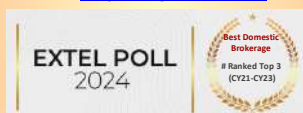


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#### Valuation summary

Consumer	CMP	TP	Rating
ITC	472	575	Buy
HUVR	2,481	3,100	Buy
APNT	2,469	2,650	Neutral
NESTLE	2,261	2,400	Neutral
VBL	622	730	Buy
PIDI	3,146	3,200	Neutral
GCPL	1,230	1,550	Buy
BRIT	4,910	5,500	Neutral
UNSP	1,543	1,550	Neutral
TATACONS	954	1,320	Buy
DABUR	523	700	Buy
MRCO	641	750	Buy
CLGT	2,896	3,250	Neutral
PG	15,915	16,500	Neutral
PAGE	46,123	54,000	Buy
UBBL	1,953	1,950	Neutral
HMN	640	850	Buy
JYL	412	500	Neutral
INDIGOPN	1,431	1,750	Buy
<b>Retail</b>			
TTAN	3,334	3,850	Buy
KALYANKJ	727	800	Buy
JUBI	657	625	Neutral
DEVYANI	165	215	Buy
WESTLIFE	790	800	Neutral
SAPPHIRE	338	415	Buy
SENCO	1,144	1,400	Buy
RBA	88	135	Buy
BARBEQUE	520	600	Neutral

## Growth diversity; overplaying valuation correction

- Our widespread consumer coverage universe, with combined revenue of INR4,000b and market cap of INR32,000b, registered aggregate revenue growth of 8%/9% in 2QFY25/FY24. The coverage includes six segments, most of which posted revenue growth in 2QFY25/FY24 (i.e., staples +7%/+6%, paints -2%/+4%, liquor +4%/+5%, innerwear +11%/-3%, QSR +7%/+12%, and jewelry +22%/+28% YoY). Staple companies missed the expectation of further pickup in volume growth in 2QFY25; however, their performance was steady and better than that of many discretionary categories. With rural performance improving, there was expectation for a sequential improvement for staple companies in 2QFY25. However, extended monsoon, disruption in supply chain, adjustment in GT inventory, and slow urban demand limit the desired pickup. We continue to believe that revenue growth acceleration for staple companies was driven by steady volume, aided by price hikes. Gross margin was affected by commodity price inflation, which we believe will be gradually offset by pricing actions.
- Discretionary categories have been a drag on overall volume growth and margins. The paint segment witnessed a slowdown in growth due to industry-wide challenges, and pressure on margins from high input costs and negative operating leverage. The alcoholic beverages segment revenue was impacted by seasonality and adverse weather conditions (heavy rains), which dampened consumer demand. Similarly, the quick service restaurant (QSR) category continued to face growth challenges, particularly in the dine-in format, with sluggish margins adding to headwinds. On the other hand, the jewelry segment outperformed, with strong revenue growth driven by a recovery in demand after the customs duty reduction. However, profitability was a mixed bag due to a change in the product mix and gold inflation (margin impact).
- Though management commentary for 2HFY25 remains optimistic, backed by pricing, it appears more achievable for staple and jewelry companies at present. Among our coverage companies, Page Industries, UBBL and Varun Beverages were the outliers in 2QFY25, with revenue/EBITDA growth of 11%/21%, 12%/23% and 24%/30%, respectively.

### Performance summary of all categories and key areas to monitor:

- Staples:** Following a modest upswing in 1QFY25, volumes were marginally impacted in 2QFY25 by several factors, including subdued macroeconomic conditions, inventory corrections by select companies to improve systemic health, adverse weather conditions such as floods and heavy rains (disrupted categories like beverages), and persistently high inflation. While rural markets continued to recover, urban demand remained challenging for FMCG players during the quarter. Additionally, the rapid growth of e-commerce and quick commerce channels exerted pressure on the general trade (GT) channel's growth for the industry. Gross margins for most companies remained under stress due to rising inflation, though a few companies managed post EBITDA margin expansion by controlling their A&P spends. Despite these efforts, EBITDA growth was slow across companies. Looking ahead, companies are expected to implement price hikes in 2HFY25 to offset the rising raw material costs. We anticipate a gradual improvement in volumes in the coming quarters, supported by a healthy monsoon season, consistent rural pickup and better portfolio play for emerging channels. In terms of revenue, Colgate (+10%) and Marico (+8%) were outliers, but EBITDA performance was better for Pidilite (+13%) and Emami (7%).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

- **Paints:** The paint sector reported flat value growth in 2QFY25, reflecting subdued demand dynamics amid multiple headwinds. Demand was impacted by weak consumer sentiment, extended monsoons, and floods that disrupted offtake during Aug-Sep'24. Additionally, price cuts in prior quarters, an unfavorable product mix, and competitive intensity further weighed on revenue performance. Urban markets have seen a bit of slowdown pressure, contrasting with relatively better recovery trends in rural and tier-3/tier-4 regions. Margins came under pressure due to raw material inflation, the adverse product mix, and increased discounting. Modest price hikes of 1-2% implemented during 2QFY25 are expected to yield benefits in 2HFY25. A near-term demand outlook remains challenging as urban markets continue to underperform, and the festive season was subdued due to extended monsoons and an early Diwali, coupled with rising competitive pressures. Asian Paints performance was the weakest among its peers, with revenue/EBITDA down 5%/28% YoY.
- **Liquor:** The alcoholic beverages segment faced several challenges in 2QFY25, with seasonal factors and heavy rainfall dampening overall demand. Volume growth remained subdued, particularly in the mass segment, which continued to experience pressure. United Spirits' (UNSP) P&A segment saw a deceleration in growth, owing to the front-loading of sales in 1QFY25, a high base effect due to festive-related loading in the prior year, and softer consumer demand during the quarter. In contrast, peer companies, Radico Khaitan, UBBL and Sula Vineyards, reported better volume growth. ENA prices continued to face inflationary pressures, while glass prices remained stable, providing partial relief from cost volatility. However, barley costs exhibited an inflationary trend and are expected to remain volatile, keeping margin pressures elevated in the near term. Looking ahead, higher volume growth supported by a focus on premiumization and better realizations should drive revenue growth and improve operating margins. Additionally, stability in excise duties and the rollout of excise policy reforms in Karnataka and Andhra Pradesh are likely to support demand for premium brands, offering a positive outlook for the segment. UBBL outperformed that category with 5%/27% growth in revenue/EBITDA, while UNSP was a laggard with revenue/EBITDA performance of -1%/+8%.
- **QSR:** The segment continues to face significant demand challenges, marked by weak unit economics and heightened market competition. The subdued underlying growth during 2QFY25 weighed heavily on financial performance, with restaurant margins and EBITDA margins contracting across all major brands. Profit before tax also declined universally, reflecting the broader pressure on profitability. We remain cautious about the recovery prospects for the QSR sector in the near term. Despite favorable ADS and SSSG bases, meaningful underlying improvement in 2HFY25 appears unlikely. Restaurant operating margins remain under strain, and we expect this pressure to persist in the coming quarters, given the challenges in the current demand environment and competitive dynamics. Jubilant outperformed its peers in 1HFY25.
- **Jewelry:** Jewelry companies have delivered robust sales growth, driven by demand recovery after the customs duty reduction. Titan (jewelry standalone), Kalyan, and Senco delivered revenue growth of 26%, 37%, and 31%, and SSSG of 15%, 23%, and 20% respectively. Studied jewelry sales declined across companies, except for Kalyan, due to softer diamond demand, which impacted

margins. For Kalyan, a higher revenue contribution from franchise stores led to a contraction in reported margins. The reduction in customs duty resulted in an inventory loss of INR2.9b for Titan, INR690m for Kalyan, and ~INR300m for Senco, which hurt the reported profitability of companies. Festive demand in Oct'24 was robust and we remain positive on the jewelry sector, anticipating an accelerated shift in consumer preference from unorganized/local channels to organized, driven by trust and transparency.

- **Innerwear:** Consumer sentiment remained muted during the quarter, though rural consumption recovery continued to support demand trends. The onset of the festive season toward the end of the quarter provided encouraging signs, while e-commerce channels maintained strong growth momentum. Urban markets underperformed compared to tier-3 and tier-4 towns, where demand recovery was more pronounced. Margin expansion was driven by stable raw material costs, particularly cotton, along with improved cost efficiencies. Page Industries focused on optimizing inventory levels across its distribution network, reducing channel inventory in 1HFY25, with further improvements planned for 2HFY25. Secondary sales were higher than primary sales by ~4% as the company strategically calibrated inventory to align with market demand. Looking ahead, the festive season and normalizing trade inventory should further drive improvement in primary sales in 2HFY25. Input prices have eased, which should help PAGE sustain margin expansion. PAGE remained an outlier among its innerwear peers, with 11%/21% YoY growth in revenue/EBITDA.

## OUR RECENT REPORTS



## Valuation and View: Maintain preference for staples and jewelry companies

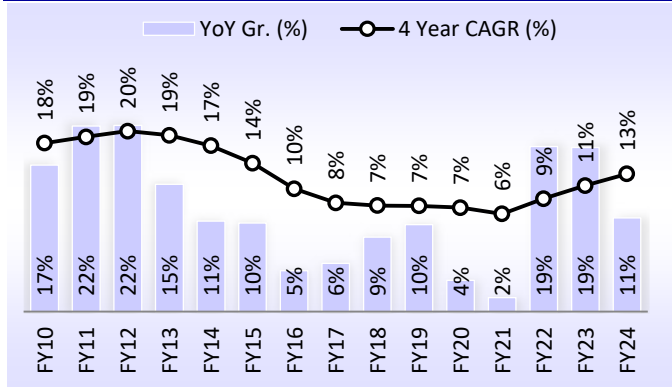
- In our last [consumer sector thematic](#) report published in Apr'24, we emphasized our overweight stance on staple companies owing to favorable risk-reward dynamics and anticipated volume recovery in FY25 and FY26. Over the past two quarters, we have observed steady improvement in volume growth, along with optimistic management commentary regarding further acceleration in growth in the upcoming quarters. After a strong run-up in stocks during Apr-Sep'24, we saw a sharp correction in stock prices as these companies failed to show further volume pickup in 2Q, along with adverse stock market activities. We continue to believe that the growth cycle will see an upward trend and valuations will also fall in place accordingly. **We reiterate our overweight stance on the staple segment and continue to prefer HUL, GCPL, and Dabur as our top picks.**
- We remain selective for our discretionary universe. Jewelry companies are expected to sustain strong growth momentum, led by SSSG and store addition. **Kalyan Jewelers and Titan are our top picks in the jewelry segment.** For Page Industries, we have recently upgraded our rating after the earnings pickup and normalizing trade inventory.
- We are monitoring QSRs, liquor, and paint companies for indications of improved growth. The recent fall in stock prices certainly captures a large part of negative sentiment for these companies too. We will choose these stocks selectively once we see the business cycle turning.

### Consumption tracker

The index is based on the weighted average revenue growth of various companies, included in their respective categories

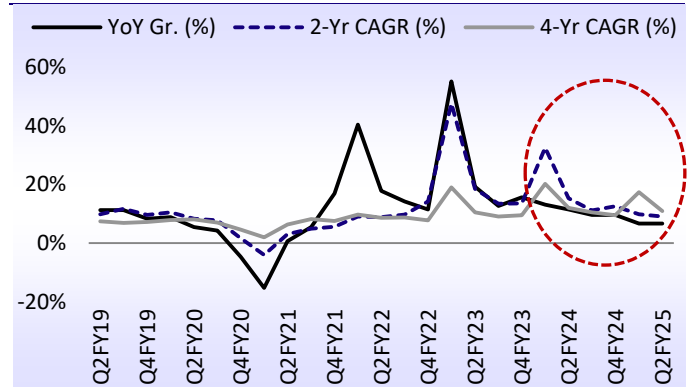
Our consumption tracker consists of various categories from the staple and discretionary baskets. The index comprises a diverse range of categories, from essentials such as oral care, hair care, personal care, and home care, to discretionary items such as F&B, OTC FMCG, cigarettes, footwear, paints, QSR, dairy, liquor, and jewelry.

Exhibit 1: Consumer Index – yearly trend



Source: Companies, MOFSL

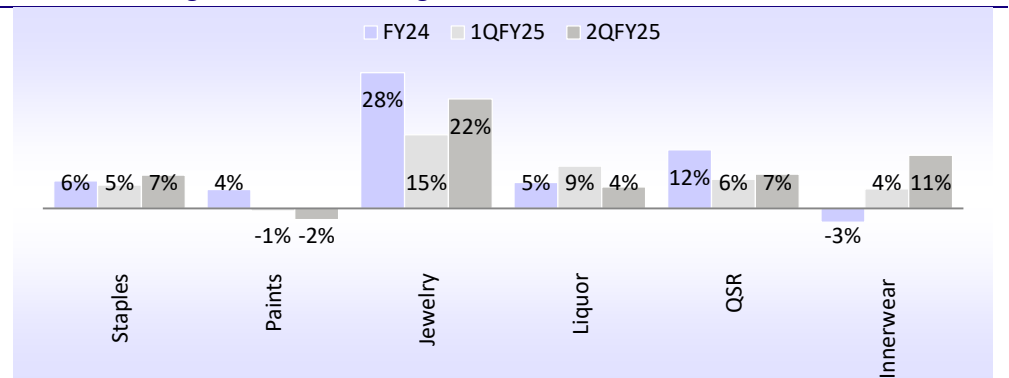
Exhibit 2: Consumer Index – quarterly trend



Source: Companies, MOFSL

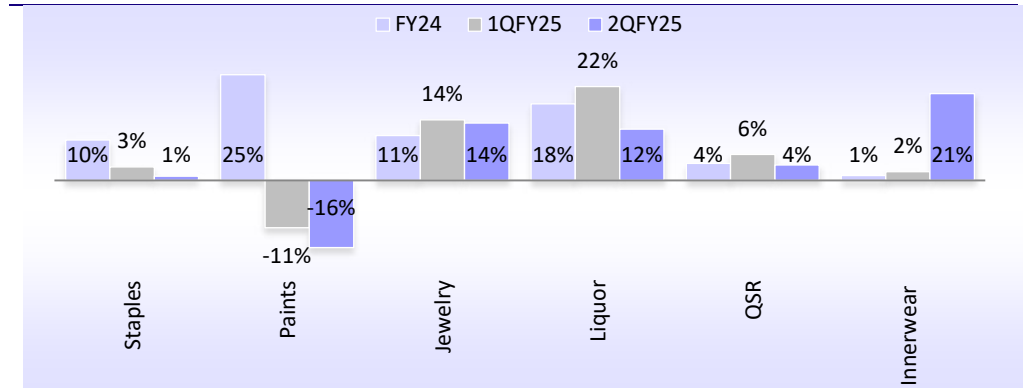
- The staple category underperformed in 2QFY25 but fared better than the discretionary segment in terms of revenue performance. As shown in Exhibit 3, staples exhibited relative stability, with sequential improvement primarily driven by ITC (high growth in non-consumer business). In the discretionary segment, jewelry outperformed, while innerwear showed modest improvement on a weak base. However, paints and liquor experienced sluggish growth during the quarter. Revenue growth in the QSR segment was largely driven by store additions, with unit economics remaining under pressure.

Exhibit 3: Coverage universe revenue growth in FY24 and 1HFY25

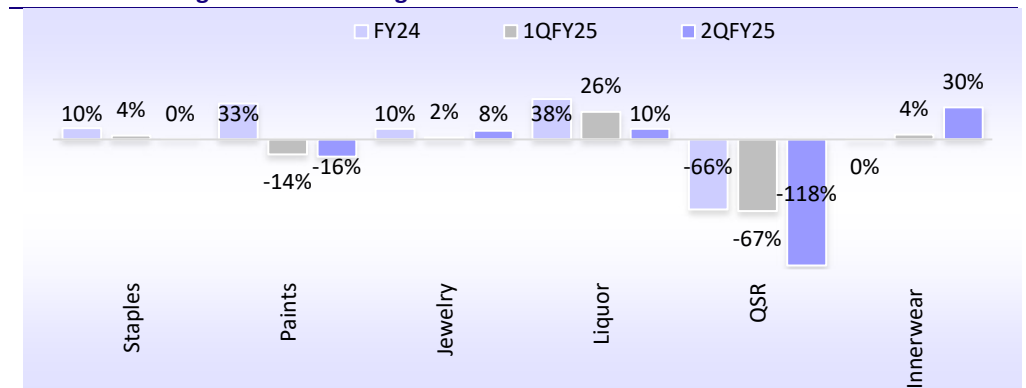


Source: Companies, MOFSL

- In FY24, staples' EBITDA growth outpaced revenue growth, reflecting margin expansion, driven by commodity price deflation. However, in FY25, rising raw material costs caused margins to moderate, with a more pronounced impact observed in 2Q. Within discretionary categories, paints saw muted revenue growth in FY24, but margin expansion contributed to profitability. In 1HFY25, however, muted demand, a poor product mix, and rising raw material costs weighed on both revenue and margins. In jewelry, margins came under pressure due to rising competitive intensity and softer diamond demand. QSR margins remained weak, primarily impacted by operating deleverage. Meanwhile, innerwear benefitted from stable raw material costs and cost-efficiency measures, leading to margin expansion. The alcoholic beverages segment reported margin improvements, supported by premiumization efforts.

**Exhibit 4: Coverage universe EBITDA growth in FY24 and 1HFY25**

Source: Companies, MOFSL

**Exhibit 5: Coverage universe APAT growth in FY24 and 1HFY25**

Source: Companies, MOFSL

**Category outperformance and underperformance**

- Performance led by home care and dairy products within essentials; personal care weak:** In 2QFY25, the home care and dairy segments delivered healthy growth of 8% each, driving the essentials category. On a LTM basis, dairy and oral care stood out, recording growth of 11% and 9%, respectively. However, OTC FMCG (-5%) and hair care (flat) faced challenges, partially impacted by inventory corrections in general trade (GT) by Dabur. Over LTM, hair care and OTC FMCG reported muted growth of 1%, while personal care remained flat. The overall performance was dampened by subdued macroeconomic conditions, high inflation, and adverse weather events, including floods and heavy rains across parts of the country. To offset rising food inflation, companies are implementing price hikes, which are expected to support revenue growth in 2HFY25.
- Moderation continues in discretionary categories:** Discretionary categories remained under pressure in 2QFY25, marked by price cuts and slowing volume growth. The paint segment witnessed a 5% decline in revenue, while footwear registered marginal growth of 1%. The impact of price hikes taken in 2QFY25 in paint is expected to reflect more prominently in 2HFY25, with further increases anticipated. Notably, growth in the QSR segment was driven by store expansions, although same-store sales (SSS) declined for most players. Amid this slowdown in discretionary spending, the jewelry vertical stood out with strong performance, achieving 22% growth on an LTM basis and 22% YoY growth in 2QFY25. Monitoring the recovery trajectory in discretionary categories will remain crucial in the coming quarters.



**Exhibit 6: Category outperformance and underperformance (LTM basis)**

Categories	Category Gr. (2QFY25)	Category Gr. (LTM)	Out-performers	Co Avg. Gr. (LTM)	Out-performance (x)	Under-performers	Co Avg. Gr. (LTM)	Under-performance (x)
Personal Care	1%	0%	Gillette	12%	50.6x	Emami	-7%	-27.6x
Hair Care	0%	1%	Emami (Navratna)	11%	12.5x	Emami (Kesh king)	-12%	-12.7x
Oral Care	5%	9%	Colgate	10%	1.2x	Gillette	-4%	-0.4x
F&B	2%	4%	Dabur	15%	3.4x	Marico	-10%	-2.3x
Home Care	8%	4%	GCPL	8%	1.9x	Jyothy (HI)	-1%	-0.1x
OTC FMCG	-5%	1%	Amrutanjan	16%	16.3x	Dabur	-3%	-3.1x
Cigarette	6%	8%	Godfrey Phillips	21%	2.8x	ITC	6%	0.7x
Liquor	6%	10%	Radico Khaitan	29%	2.8x	United spirits	5%	0.5x
QSR	6%	7%	Burger King	16%	2.4x	Devyani (PH)	-2%	-0.3x
Dairy	8%	11%	Heritage	13%	1.2x	Parag	4%	0.4x
Paints	-5%	0%	Indigo Paints	3%	18.4x	Asian Paints	-1%	-4.3x
Footwear	1%	2%	Mirza International	5%	3.2x	Relaxo	0%	-0.2x
Jewelry	22%	22%	Kalyan	33%	1.5x	Titan	17%	0.8x

Source: Company, MOFSL

**Exhibit 7: Volume and SSSG trend of coverage universe**

Volume Growth	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
<b>Personal Products</b>										
HUL (FMCG business)	6.0	4.0	5.0	4.0	3.0	2.0	2.0	2.0	4.0	3.0
Colgate	-3.0	-3.0	-5.0	1.0	3.0	-1.0	-1.0	1.0	7.0	8.0
Dabur - Overall	5.0	1.0	-3.0	1.0	3.0	3.0	4.0	3.0	5.0	-7.0
Emami - Overall	0.0	-5.0	-4.0	-7.0	3.0	2.0	-1.0	6.0	9.0	2.0
<b>Hair Care</b>										
Marico - FMCG	-6.0	3.0	4.0	5.0	3.0	3.0	2.0	3.0	4.0	5.0
Marico - Parachute Coconut Oil	-2.0	-3.0	2.0	9.0	-2.0	1.0	3.0	2.0	2.0	4.0
Marico -VAHO	0.0	-2.0	-2.0	12.0	0.0	-1.0	2.0	-4.0	-2.0	-3.0
<b>Home Care</b>										
GCPL - Branded Biz	-6.0	-5.0	3.0	13.0	10.0	4.0	5.0	9.0	8.0	7.0
Jyothy Labs - Overall	3.0	1.0	2.0	3.0	9.0	9.0	11.0	10.0	11.0	3.0
<b>F&amp;B</b>										
Britannia Industries - Domestic	-2.0	5.0	3.0	3.0	0.0	0.0	6.0	6.0	8.0	8.0
Marico - Saffola	-19.0	9.0	13.0	-6.0	12.0	4.0	-5.0	5.0	5.0	0.0
Nestle – Domestic*	7.0	9.0	-2.0	5.0	5.0	5.0	4.0	4.0	2.0	-2.0
<b>Cigarette</b>										
ITC-Cig	26.0	20.0	15.0	12.0	8.0	5.0	-1.0	2.0	3.0	4.0
<b>Paints</b>										
Asian Paints	37.0	10.0	0.0	16.0	10.0	6.0	12.0	10.0	7.0	-1.0
Berger paints		10.0	7.0	11.0	13.0	11.0	9.0	14.0	12.0	4.0
<b>Liquor</b>										
United Spirits - P&A	24.0	13.0	4.0	10.0	10.0	4.0	5.0	4.0	5.0	-4.0
United Spirits - Total	-21.0	-22.0	-24.0	-27.0	6.0	1.0	-2.0	4.0	3.0	-4.0
United Breweries- P&A		48.0	13.0	19.0	21.0	10.0	14.0	21.0	44.0	27.0
United Breweries- Total	121.0	23.0	4.0	3.0	-12.0	7.0	8.0	11.0	5.0	5.0
<b>QSR - SSSG</b>										
Jubilant FoodWorks - LFL	28.0	8.0	0.0	-1.0	-1.0	-1.0	-3.0	0.0	3.0	3.0
Devyani - KFC	64.0	13.0	3.0	2.0	-1.0	-4.0	-5.0	-7.0	-7.0	-7.0
Devyani - PH	32.0	3.0	-6.0	-3.0	-5.0	-10.0	-13.0	-14.0	-9.0	-6.0
Sapphire - KFC	65.0	15.0	3.0	2.0	0.0	0.0	-2.0	-3.0	-6.0	-8.0
Sapphire - PH	47.0	23.0	-4.0	-4.0	-9.0	-20.0	-19.0	-15.0	-7.0	-3.0
Westlife Development - SSG	97.0	40.0	20.0	14.0	7.0	1.0	-9.0	-5.0	-7.0	-7.0
Barbeque - SSG	182.0	23.0	-1.0	-3.0	-8.0	-11.0	-5.0	1.0	-7.0	-3.0
Burger King	66.0	27.0	9.0	8.0	4.0	4.0	3.0	2.0	3.0	-3.0
<b>Jewelry SSSG (%)</b>										
Titan- Tanishq	195.0	9.0	9.0	19.0	16.0	22.0	10.0	14.0	3.0	15.0
Titan- Caratlane	306.0	41.0	35.0	29.0	8.0	10.0	2.0	3.0	8.0	28.0
Kalyan					15.0	10.0	11.0	17.0	12.0	23.0
Senco					21.0	19.0	17.0	23.0	4.0	20.0
<b>Innerwear</b>										
Page Industries	150.0	1.0	-11.0	-15.0	-12.0	-9.0	5.0	6.0	3.0	7.0

\*MOFSL assumptions, Source: Company, MOFSL

**Exhibit 8: Revenue, EBITDA and APAT growth trends of coverage universe in last six quarters**

Companies	Revenue growth (%)						EBITDA growth (%)						APAT growth (%)					
	FY24				FY25		FY24				FY25		FY24				FY25	
	1Q	2Q	3Q	4Q	1Q	2Q	1Q	2Q	3Q	4Q	1Q	2Q	1Q	2Q	3Q	4Q	1Q	2Q
<b>Staples</b>																		
Britannia	8	1	1	1	6	5	38	23	0	-2	9	-10	36	20	0	-4	16	-9
Colgate	11	6	8	10	13	10	28	18	30	18	22	3	33	22	36	20	26	5
Dabur	11	7	7	5	7	-5	11	10	8	14	8	-16	7	7	8	11	8	-17
Emami	7	6	1	7	10	3	10	20	7	6	14	7	37	12	11	13	21	19
Godrej Consumer	10	6	2	6	-3	2	28	26	18	14	7	5	9	17	6	23	24	12
HUL	6	3	0	0	1	2	8	9	-1	-1	2	0	8	-1	-2	-2	2	-2
ITC	-7	4	2	2	8	17	10	3	-3	0	1	5	16	6	7	0	0	2
Jyothy	15	11	11	7	8	0	96	68	41	19	14	2	124	78	35	32	17	1
Marico	-3	-1	-2	2	7	8	9	15	13	12	9	5	15	17	17	5	9	17
Nestle	15	9	8	9	3	1	25	22	14	19	5	-5	30	21	24	22	5	-7
P&G Hygiene	12	9	0	13	10	0	215	33	7	72	-38	2	247	36	10	72	-39	1
Tata consumer	12	11	9	9	16	13	19	24	26	23	22	17	17	43	19	38	-5	10
Varun Beverages	13	22	20	11	28	24	21	26	36	24	32	30	26	32	77	25	26	24
<b>Paints</b>																		
Asian Paints	7	0	5	-1	-2	-5	36	40	28	-9	-20	-28	49	53	34	-1	-25	-29
Indigo Paints	29	15	26	18	8	7	39	25	53	18	-4	-1	56	22	42	10	-16	-11
Pidilite	6	2	4	8	4	5	34	36	50	26	15	13	34	37	67	32	21	18
<b>Liquor</b>																		
United Breweries	-7	12	13	21	9	12	-16	-16	90	166	28	23	-16	-20	275	731	27	23
United Spirits	-1	-1	7	7	8	-1	42	6	34	7	19	8	8	21	61	92	25	5
<b>QSR</b>																		
Jubilant Food.	6	5	3	6	10	9	-9	-10	-2	1	1	1	-38	-39	-31	-44	-31	-28
Devyani intl.	20	10	7	39	5	14	6	-4	-16	15	29	25	-54	-21	-93	-95	-17	-105
Westlife Foodworld	14	7	-2	1	0	1	14	1	-13	-16	-24	-21	22	-29	-53	-96	-89	-98
Sapphire Foods	20	14	12	13	10	8	10	12	4	5	2	-3	-35	-43	-70	-82	-67	-66
Restaurant Brands	25	19	15	16	6	1	65	124	130	153	29	12	6	-8	-29	15	-3	29
Barbeque Nation	3	-3	1	6	-6	1	-34	-24	7	37	9	3	-125	-379	-2	-100	7	-40
<b>Jewelry</b>																		
Titan	26	37	22	21	12	16	-6	13	16	9	11	8	-4	10	15	5	-5	2
Kalyan	31	27	34	34	27	37	22	18	13	19	16	26	33	27	21	96	23	35
Senco	30	26	23	40	8	31	22	21	11	31	62	107	23	36	6	24	85	189
<b>Innerwear</b>																		
Page Industries	-8	-8	2	3	4	11	-20	-2	19	22	2	21	-24	-7	23	38	4	30

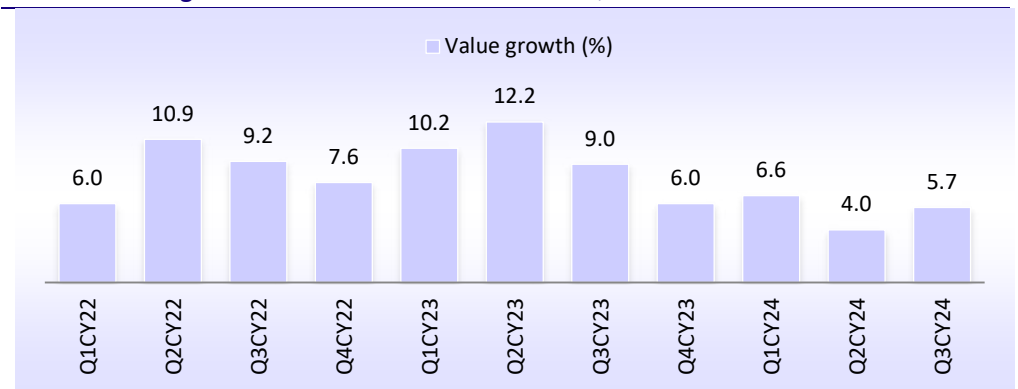
Source: Company, MOFSL

**Staples – Weak urban; 2HFY25 likely to be better**

Rural markets continued to show signs of recovery, urban demand posed a significant challenge for FMCG players during 2QFY25

- The FMCG sector faced a tough operating environment in 2QFY25 due to (1) subdued macroeconomic conditions; (2) hygiene inventory corrections by select companies aimed at improving systemic health; (3) adverse weather, including floods and heavy rains, impacting categories like cold beverages; and (4) persistently high inflation. Volume growth for most companies remained under pressure, after a slight pick-up in 1QFY25.
- The rapid growth of e-commerce and quick commerce channels is putting pressure on General Trade (GT) growth across the industry. Dabur has also highlighted that it had taken inventory correction in GT to improve the distributors’ RoI.
- **Optimistic outlook for 2HFY25:** A healthier recovery is anticipated in 2HFY25, supported by promising rural trends, including (1) above-average monsoons driving robust agricultural output; (2) healthy reservoir levels improving Rabi crop prospects; and (3) increased budgetary allocations to rural development outpacing GDP growth YoY. Companies are leveraging traditional growth levers such as strengthening distribution networks, launching innovative products, and offering targeted consumer incentives. Additionally, calibrated price hikes to offset raw material inflation are expected to bolster revenue growth further.
- While rural markets continued to show signs of recovery, urban demand posed a significant challenge for FMCG players during 2QFY25. NielsenIQ data (NIQ) revealed sector value growth of 5.7% and volume growth of 4.1% in 2Q, primarily driven by rural markets. Rural demand grew at 6% YoY—double the pace of urban growth at 2.8%.

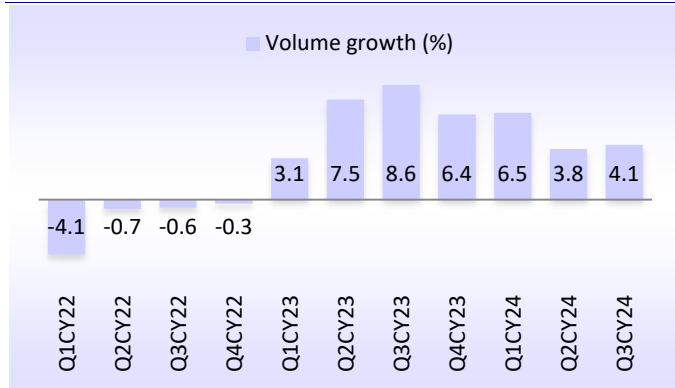
**Exhibit 9: Value growth was modest at 5.7% YoY in 3QCY24...**



Source: NIQ data, MOFSL

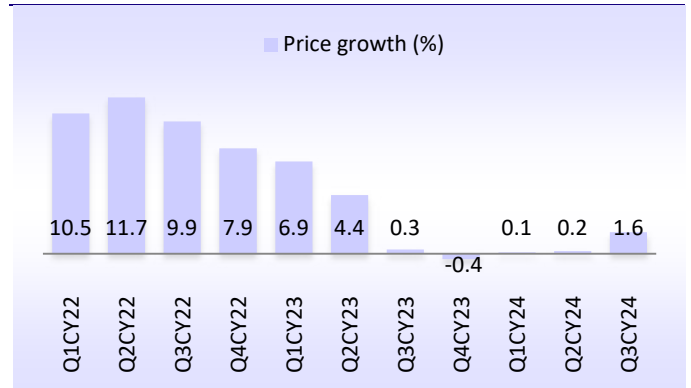


**Exhibit 10: ...driven by volume growth of 4.1%...**



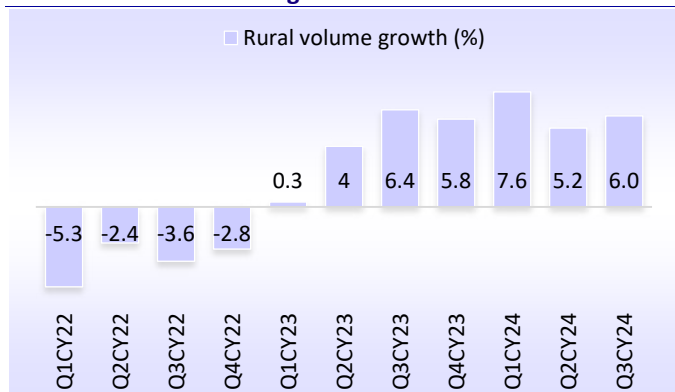
Source: NIQ data, MOFSL

**Exhibit 11: ..and price hike of 1.6%**



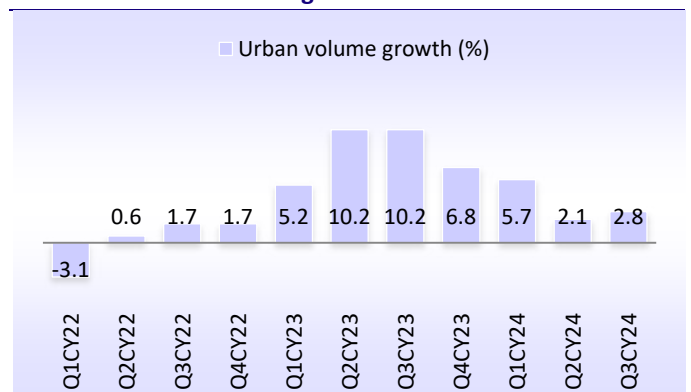
Source: NIQ data, MOFSL

**Exhibit 12: Rural volume grew 6%**



Source: NIQ data, MOFSL

**Exhibit 13: Urban volume grew 2.8%**



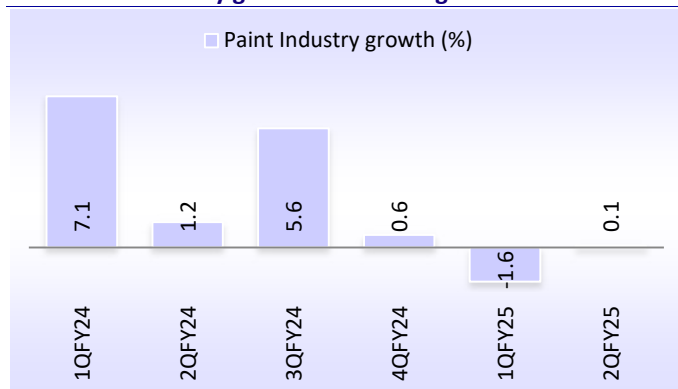
Source: NIQ data, MOFSL

## Paint – Sluggish industry trend amid rising competition

Near-term outlook is challenging with the subdued festive season due to extended monsoon and rising competitive intensity.

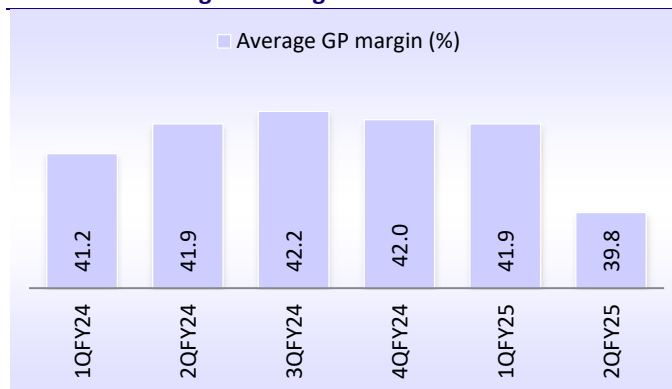
- **Weak industry growth:** The paint segment reported flat value growth in 2QFY25, reflecting subdued demand dynamics and multiple headwinds. Key challenges included (1) weak consumer sentiment dampening demand; (2) extended monsoons and floods impacting offtake in August and September; (3) cumulative price cuts in prior quarters; (4) an unfavorable product mix; (5) heightened competitive intensity with elevated discounts and rebates across segments; and (6) stress in urban markets, although rural and tier-3/tier-4 regions showed a relatively better recovery. Seasonal markets were significantly affected, and the festive season underperformed expectations. APNT (market leader) highlighted lower secondary sales, leading to a calibrated approach to primary sales during the quarter.
- **Rising competitive intensity:** Competitive pressures intensified across all segments, with significant discounting in categories such as putty and distempers. APNT observed rising competition in the economy segment from both organized and unorganized players, exacerbated by a challenging demand environment. On Birla Opus, APNT mentioned limited disruption so far but hinted at strategic investments to counter any potential threats. Competitive intensity is unlikely to ease in the near to medium term.
- **Muted margins:** Margins were under pressure due to raw material price inflation, product mix, cumulative price reductions, and increased discounts, which weighed on gross margins. While price hikes of 1-2% taken in 2QFY25 are expected to yield benefits in 2HFY25, the overall margin outlook remains subdued due to elevated advertising, R&D, distribution costs, higher manpower requirements, and idle capacity overheads. Although some softening in raw material prices is anticipated, we remain cautious about volatility in crude and other key inputs. Additionally, the scalability of new entrants in a brand-centric category could further impact the margin trajectory through FY25-26E.
- **Near-term outlook:** The near-term demand outlook remains challenging, with urban markets underperforming, a subdued festive season due to extended monsoons and an early Diwali, and rising competitive pressures. Operating margins are likely to remain under stress as the company reinvests in the business to counter competition, with key headwinds including elevated costs and promotional expenditures. Monitoring competitive dynamics and consumer demand trends will be critical to assessing recovery prospects.

Exhibit 14: Industry growth moderating



Source: Indigo paints PPT

Exhibit 15: Average GP margin at ~40%



Source: Indigo paints PPT

Exhibit 16: Quarterly trajectory of paint companies

Sales (INR m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Asian Paint	86,069	84,576	86,367	87,873	91,823	84,786	91,031	87,308	89,697	80,275
Berger Paints	27,597	26,709	26,936	24,436	30,295	27,673	28,818	25,203	30,910	27,746
Kansai Nerolac	20,250	19,234	18,268	17,336	21,568	19,565	19,187	17,694	21,331	19,514
Akzo Nobel	9,377	9,262	9,868	9,514	9,992	9,563	10,327	9,734	10,363	9,823
Indigo Paints	2,240	2,426	2,813	3,255	2,884	2,790	3,538	3,849	3,110	2,995
<b>Sales growth (%)</b>										
Asian Paint	54	19	1	11	7	0	5	-1	-2	-5
Berger Paints	53	20	6	12	10	4	7	3	2	0
Kansai Nerolac	38	19	1	14	7	2	5	2	-1	0
Akzo Nobel	50	25	8	10	7	3	5	2	4	3
Indigo Paints	44	24	6	13	24	11	21	13	8	7
<b>GP margin (%)</b>										
Asian Paint	37.7	35.7	38.6	42.5	42.9	43.4	43.6	43.7	42.5	40.8
Berger Paints	35.7	35.3	34.7	39.8	39.8	41.1	41.1	40.7	39.9	41.7
Kansai Nerolac	29.0	28.5	30.4	31.9	35.3	35.6	36.1	34.4	36.8	34.0
Akzo Nobel	39.0	38.4	39.0	42.7	43.0	44.7	44.1	43.8	44.6	43.7
Indigo Paints	45.2	41.7	43.8	46.8	47.3	45.6	48.2	48.9	46.6	43.7
<b>EBITDA (INR m)</b>										
Asian Paint	15,560	12,277	16,114	18,648	21,213	17,162	20,561	16,914	16,938	12,395
Berger Paints	4,048	3,640	3,497	3,688	5,568	4,737	4,800	3,509	5,224	4,342
Kansai Nerolac	2,550	1,994	1,955	1,681	3,315	2,732	2,440	1,790	3,296	2,119
Akzo Nobel	1,211	1,064	1,429	1,547	1,621	1,418	1,664	1,617	1,689	1,464
Indigo Paints	353	338	406	717	491	421	622	846	474	415
<b>EBITDA growth (%)</b>										
Asian Paint	70	36	4	29	36	40	28	-9	-20	-28
Berger Paints	70	3	-11	6	38	30	37	-5	-6	-8
Kansai Nerolac	13	10	11	10	15	14	13	10	15	11
Akzo Nobel	13	11	14	16	16	15	16	17	16	15
Indigo Paints	75	44	5	33	39	25	53	18	-4	-1
<b>EBITDA margin (%)</b>										
Asian Paint	18.1	14.5	18.7	21.2	23.1	20.2	22.6	19.4	18.9	15.4
Berger Paints	14.7	13.6	13.0	15.1	18.4	17.1	16.7	13.9	16.9	15.6
Kansai Nerolac	12.6	10.4	10.7	9.7	15.4	14.0	12.7	10.1	15.5	10.9
Akzo Nobel	12.9	11.5	14.5	16.3	16.2	14.8	16.1	16.6	16.3	14.9
Indigo Paints	15.7	13.9	14.4	22.0	17.0	15.1	17.6	22.0	15.2	13.9

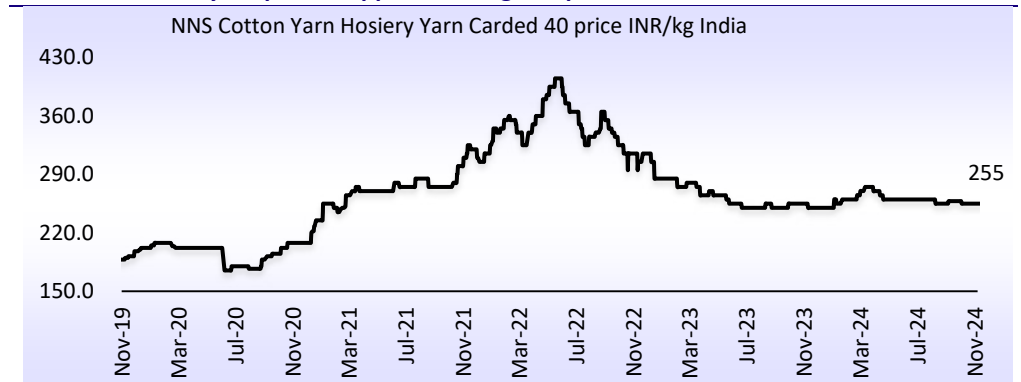
\*Indigo Paints FY24 quarters sales growth excl. Acquisition; Source: Company, MOFSL

## Innerwear – Gradual recovery; growth acceleration expected to sustain

In the near term, rural consumption is on a positive trajectory, weak urban demand and subdued consumer sentiment remain key monitorables. Festive season sales were healthy to drive momentum in 3QFY25.

- The operating environment in 2QFY25 was stable overall, but regional disruptions such as floods and protests negatively impacted retail demand in select areas. Consumer sentiment remains subdued, though rural consumption recovery is gradually supporting demand trends. The onset of the festive season toward the end of the quarter showed encouraging signs. However, the festive demand overall fell short of expectations, partly due to an early Diwali and monsoon disruptions. E-commerce continued to show strong growth. The urban markets underperformed relative to tier-3 and tier-4 towns, where demand recovery was more pronounced. Key product categories like athleisure are recovering, albeit with some normalization from the pandemic-induced surge.
- **Inventory optimization** - PAGE focused on maintaining healthier inventory levels across its distribution network. Channel inventory was reduced in 1HFY25, and further improvements are targeted in 2HFY25. Secondary sales outpaced primary sales as the company deliberately calibrated its inventory to align with demand. This strategy reflects a commitment to avoiding inventory inflation while ensuring a robust supply chain.
- **Margin expansion** supported by stable raw material costs (yarn), enhanced selling efficiencies, and controlled operating costs. PAGE expects to maintain EBITDA margins in the range of 19-21% for FY25. Dollar Industries is anticipated to sustain EBITDA margins of 14-15% over the next three years, with sustained efforts in cost control and improved product mix contributing to this stability.
- **Near-term outlook** - In the near term, rural consumption is on a positive trajectory, weak urban demand and subdued consumer sentiment remain key monitorables. Festive season sales were healthy to drive momentum in 3QFY25. Companies are leveraging e-commerce, expanding their retail footprint, and optimizing inventory levels to capitalize on improving demand trends. Key initiatives include targeted marketing investments, category expansion, and entry into new segments like sustainable products. We expect operating margin will remain healthy despite spends on marketing and distribution fronts. Strategic investments in branding and distribution aim to safeguard market share.

**Exhibit 17: Stable yarn prices supported margin expansion**



Source: Bloomberg, MOFSL

**Exhibit 18: Quarterly trajectory of Innerwear companies**

Sales (INR m)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Page	13,413	12,282	12,000	9,646	12,291	11,251	12,288	9,925	12,775	12,463
Lux	5,639	6,314	4,579	7,165	5,227	6,380	4,516	7,083	5,353	6,710
Dollar	3,617	3,404	2,853	4,064	3,189	4,121	3,297	4,884	3,220	4,458
Rupa	2,082	2,786	2,287	4,019	1,917	2,958	3,127	3,939	2,062	2,941
<b>Sales growth (%)</b>										
Page	167	13	1	-13	-8	-8	2	3	4	11
Lux	36	2	-30	23	-7	1	-1	-1	2	5
Dollar	77	-13	-25	9	-12	21	16	20	1	8
Rupa	-1	-22	-46	-9	-8	6	37	-2	8	-1
<b>GP margin (%)</b>										
Page	54.5	57.0	53.4	57.2	53.2	55.7	53.1	56.0	54.1	56.5
Lux	53.3	48.9	49.0	42.2	59.1	54.2	53.7	47.3	58.6	56.6
Dollar	50.4	47.6	45.2	40.0	52.7	53.9	58.6	50.9	59.3	53.2
Rupa	71.9	48.6	44.5	36.8	61.2	53.1	46.3	45.4	69.6	59.8
<b>EBITDA (INR m)</b>										
Page	2,978	2,379	1,928	1,343	2,385	2,335	2,297	1,643	2,433	2,815
Lux	756	657	348	443	337	577	355	762	452	633
Dollar	372	303	194	116	248	418	322	545	323	488
Rupa	182	291	141	272	112	322	328	402	177	283
<b>EBITDA growth (%)</b>										
Page	771	2	-23	-50	-20	-2	19	22	2	21
Lux	13	10	8	6	6	9	8	11	8	9
Dollar	5	-51	-70	-79	-33	38	66	369	30	17
Rupa	-56	-59	-82	-63	-39	11	132	48	59	-12
<b>EBITDA margin (%)</b>										
Page	22.2	19.4	16.1	13.9	19.4	20.8	18.7	16.6	19.0	22.6
Lux	13.4	10.4	7.6	6.2	6.4	9.0	7.9	10.8	8.4	9.4
Dollar	10.3	8.9	6.8	2.9	7.8	10.1	9.8	11.2	10.0	10.9
Rupa	8.8	10.4	6.2	6.8	5.8	10.9	10.5	10.2	8.6	9.6

Source: Company, MOFSL

## Liquor – Muted demand; volatility in margins

The alcoholic beverages segment faced headwinds in 2QFY25 due to seasonal factors and heavy rainfall, dampened overall demand.

- **Weak demand in 2Q:** The alcoholic beverages segment faced headwinds in 2QFY25 due to seasonal factors and heavy rainfall, which dampened overall demand. Volume growth remained subdued, particularly in the mass segment, which faced continued pressure. However, the Prestige & Above (P&A) segment has reported consistent outperformance over the past three years, with strategic pricing in key states driving revenue growth over the last 12 months. In 2QFY25, UNSP's P&A segment experienced a decline in growth due to; 1) front-loading of sales in 1Q, as previously indicated, 2) a high base effect attributed to festive-related loading in the prior year, and 3) soft consumer demand. Despite these challenges, UNSP remains confident of achieving double-digit growth in the P&A category, supported by tailwinds such as the reopening of the Andhra Pradesh market, a softer base, and premiumization efforts in Karnataka. Additionally, premium volume growth in 2Q was healthy across peers – Radico Khaitan (+13%), SULA (+4%), and UBBL (+27%).
- **Mixed bag inflationary trend:** ENA continues to experience inflationary pressures, while glass prices have remained stable, partially offsetting the impact of cost volatility. Barley costs, however, have shown an inflationary trend and are expected to remain volatile in the near term, which will keep margins volatile. Looking ahead, effective management of input cost fluctuations and an optimized product mix will be critical for stabilizing margins and sustaining profitability.
- **Near-term outlook:** Higher volume growth, driven by a focus on premiumization and better realizations, is anticipated to bolster revenue and support operating margins. Moreover, the stability in excise duties and the introduction of excise policy reforms in Karnataka and Andhra Pradesh are expected to drive demand for premium brands. By leveraging these favorable dynamics, the alcoholic beverages segment is well-positioned to expand its market share and enhance profitability in the near term.



**Exhibit 19: Liquor companies' quarterly trajectory**

<b>Volume growth (%)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
UNSP	-21	-22	-24	-27	6	1	-2	4	3	-4
UBBL	121	23	4	3	-12	7	8	11	5	5
Radico Khaitan	22	11	0	-1	8	-3	4	-1	-4	-2
Sula Vineyards	N/A	N/A	N/A	N/A	15	3	5	8	-1	-8
<b>Premium Category Volume growth (%)</b>										
UNSP	24	13	4	10	10	4	5	4	5	-4
UBBL	N/A	48	13	19	21	10	14	21	44	27
Radico Khaitan	30	22	14	17	27	22	20	15	14	13
Sula Vineyards	N/A	N/A	N/A	N/A	30	13	4	18	-7	4
<b>Sales (INR m)</b>										
UNSP	21,946	29,042	27,811	24,938	21,719	28,647	29,893	26,660	23,520	28,430
UBBL	24,367	16,796	16,110	17,645	22,732	18,880	18,227	21,315	24,730	21,147
Radico Khaitan	7,573	7,612	7,922	8,321	9,540	9,250	11,609	10,787	11,365	11,163
Sula Vineyards	922	1,203	1,906	1,132	1,085	1,337	2,030	1,225	1,209	1,324
Allied Blenders & Distillers	N/A	N/A	N/A	N/A	8,143	8,512	8,948	7,676	7,576	8,677
<b>Sales growth (%)</b>										
UNSP	36	19	-3	0	-1	-1	7	7	8	-1
UBBL	118	18	2	3	-7	12	13	21	9	12
Radico Khaitan	27	7	5	2	26	22	47	30	19	21
Sula Vineyards	N/A	N/A	N/A	N/A	18	11	7	8	11	-1
Allied Blenders & Distillers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	-7	2
<b>GP margin (%)</b>										
UNSP	40.9	39.4	40.6	45.4	43.6	43.4	43.4	43.3	44.5	45.2
UBBL	44.3	46.7	41.8	38.6	40.6	44.5	44.0	41.7	43.0	43.8
Radico Khaitan	43.5	41.5	41.3	40.6	43.6	44.1	41.8	41.0	41.5	47.5
Sula Vineyards	77.8	76.5	68.2	79.1	78.9	78.1	71.8	80.0	80.7	78.9
Allied Blenders & Distillers	N/A	N/A	N/A	N/A	34.5	39.2	35.3	39.0	38.7	42.9
<b>EBITDA (INR m)</b>										
UNSP	2,705	4,424	3,678	3,380	3,851	4,701	4,914	3,620	4,580	5,070
UBBL	2,651	2,191	766	535	2,228	1,846	1,456	1,420	2,847	2,268
Radico Khaitan	924	899	968	792	1,196	1,212	1,428	1,225	1,490	3,062
Sula Vineyards	253	374	640	308	304	442	719	295	340	336
Allied Blenders & Distillers	N/A	N/A	N/A	N/A	520	712	591	598	741	1,033
<b>EBITDA growth (%)</b>										
UNSP	61	4	-25	-21	42	6	34	7	19	8
UBBL	178	32	-63	-79	-16	-16	90	166	28	23
Radico Khaitan	12	12	12	10	13	13	12	11	13	27
Sula Vineyards	N/A	N/A	N/A	N/A	20	18	12	-4	12	-24
Allied Blenders & Distillers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	43	45
<b>EBITDA margin (%)</b>										
UNSP	12.3	15.2	13.2	13.6	17.7	16.4	16.4	13.6	19.5	17.8
UBBL	10.9	13.0	4.8	3.0	9.8	9.8	8.0	6.7	11.5	10.7
Radico Khaitan	12.2	11.8	12.2	9.5	12.5	13.1	12.3	11.4	13.1	14.6
Sula Vineyards	27.4	31.1	33.6	27.2	28.0	33.1	35.4	24.0	28.1	25.4
Allied Blenders & Distillers					6.4	8.4	6.6	7.8	9.8	11.9

Source: Company, MOFSL

## QSR – Continued sluggish momentum

QSR continued see sluggish momentum. Weak growth has been observed across markets (metros/tier2/tier3)

- Despite weak FY24 and various initiatives by QSR companies in 1HFY25, growth metrics remained weak across brands. Sales were weak in Jul'24 due to the Shravan period and heavy rains across regions. While some improvements were noted in Aug'24, sales tapered off again in Sep'24 due to the Shraddh period. Overall, 2QFY25 was slower than 1QFY25, despite a favorable base. Further, despite efforts to boost footfall through promotions and menu innovations, demand has not seen any green shoots. Weak growth has been observed across markets (metros/tier2/tier3).
- **Acceleration in store addition:** The store addition momentum improved during the quarter. The management has maintained its store addition guidance for FY25.
- **Pressure on profitability:** Given the weak underlying growth, companies witnessed a significant impact on their unit economics. Both restaurant margin and EBITDA margin contracted for all brands in 2Q. PBT also declined for all companies.
- **Near-term outlook:** We remain cautious on QSR recovery in the near term. Unlike other discretionary categories, there are no significant benefits from the festive period for QSR. While the ADS/SSSG bases have been favorable, we do not see much underlying improvement in 2HFY25. Restaurant operating margins were under pressure, and we expect this to continue in the near term too. Jubilant FoodWorks appears to be an outlier among QSR companies in the near term (driven by delivery moat), but its valuations are rich. Though dine-in companies are struggling, their operating growth metrics are likely to improve significantly once recovery begins. We reiterate BUY on Devyani, Sapphire, and RBA, and NEUTRAL on Jubilant FoodWorks, Barbeque Nation and Westlife Foodworld.

### Exhibit 20: Weak demand persists for the last four-five quarters

Sapphire - KFC	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue growth (%)	98%	36%	26%	24%	21%	19%	16%	16%	11%	9%
KFC - SSSG (%)	65%	15%	3%	2%	0%	0%	-2%	-3%	-6%	-8%
KFC - Stores	281	301	325	341	358	381	406	429	442	461
Store growth (%)	35%	37%	30%	30%	27%	27%	25%	26%	23%	21%
KFC - ADS ('000')	144	134	136	127	138	125	125	114	122	111
Gross margin (%)	67.3%	65.6%	66.5%	66.8%	68.1%	67.9%	68.4%	68.3%	68.2%	68.3%
RoM Pre - Ind AS (%)	20.3%	17.9%	20.2%	19.1%	20.8%	19.2%	20.1%	18.7%	18.8%	16.5%

Sapphire - Pizza Hut	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue growth (%)	85%	60%	20%	18%	12%	-6%	-4%	-3%	3%	3%
PH - SSSG (%)	47%	23%	-4%	-4%	-9%	-20%	-19%	-15%	-7%	-3%
PH - Stores	235	249	274	286	302	311	319	319	320	323
Store growth (%)	37%	25%	31%	31%	29%	25%	16%	12%	6%	4%
PH - ADS ('000')	61	64	58	50	52	48	45	41	48	47
Gross margin (%)	75.3%	74.7%	74.4%	74.3%	75.1%	76.1%	75.7%	75.5%	76.1%	76.5%
RoM Pre - Ind AS (%)	14.8%	15.1%	14.1%	8.6%	9.0%	7.6%	4.6%	-2.7%	4.6%	4.1%

Sapphire Consol	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue growth (%)	80%	36%	17%	13%	20%	14%	12%	13%	10%	8%
Store	614	656	713	741	778	814	850	872	886	909
Store growth (%)	37%	34%	30%	28%	27%	24%	19%	18%	14%	12%
Gross margin (%)	67.9%	66.4%	67.1%	67.9%	68.5%	68.7%	68.9%	68.9%	68.6%	68.8%
EBITDA (INRm) (Pre -Ind AS)	722	624	738	563	772	678	722	544	707	590
EBITDA margin (%) (Pre -Ind AS)	13.2%	11.1%	12.4%	10.0%	11.8%	10.6%	10.8%	8.6%	9.8%	8.5%
EBITDA margin (%) (Post -Ind AS)	20.2%	18.3%	19.6%	17.5%	18.6%	17.9%	18.3%	16.3%	17.3%	16.1%

Devyani - KFC	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue growth (%)	109%	47%	27%	26%	22%	15%	14%	11%	7%	7%
KFC - SSSG (%)	64%	13%	3%	2%	-1%	-4%	-5%	-7%	-7%	-7%
KFC - Stores	391	423	461	490	510	540	590	596	617	645
Store growth (%)	38%	37%	36%	35%	30%	28%	28%	22%	21%	19%
KFC - ADS ('000')	127	121	116	106	117	109	104	93	104	96
Gross margin (%)	69.0%	67.9%	67.6%	68.6%	69.7%	69.0%	69.4%	69.9%	69.5%	69.0%
RoM Pre - Ind AS (%)	22.4%	21.5%	19.7%	17.5%	21.1%	19.4%	19.0%	19.0%	19.5%	16.6%

Devyani - Pizza Hut	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue growth (%)	71%	36%	18%	16%	11%	2%	-2%	-4%	-1%	0%
PH - SSSG (%)	32%	3%	-6%	-3%	-5%	-10%	-13%	-14%	-9%	-6%
PH - Stores	436	466	483	506	521	535	565	567	570	593
Store growth (%)	38%	33%	24%	23%	19%	15%	17%	12%	9%	11%
PH - ADS ('000')	44	45	43	39	40	39	37	32	36	35
Gross margin (%)	76.2%	74.5%	73.6%	73.2%	74.9%	75.7%	75.8%	77.3%	76.8%	76.7%
RoM Pre - Ind AS (%)	17.5%	17.0%	14.1%	9.3%	10.1%	7.7%	6.1%	4.4%	4.9%	3.1%

Devyani consol	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue growth (%)	100%	45%	27%	28%	20%	10%	7%	39%	5%	14%
Store	1,008	1,096	1,177	1,243	1,290	1,358	1,452	1,782	1,836	1,921
Store growth (%)	37%	36%	33%	33%	28%	24%	23%	43%	42%	41%
Gross margin (%)	71.1%	70.2%	69.3%	69.6%	70.8%	70.8%	70.6%	69.2%	69.2%	69.3%
EBITDA (INRm) (Pre -Ind AS)	1,137	1,125	1,172	913	1,115	946	787	959	1,414	1,143
EBITDA margin (%) (Pre -Ind AS)	16.1%	15.1%	14.8%	12.1%	13.2%	11.5%	9.3%	9.2%	11.6%	9.4%
EBITDA margin (%) (Post -Ind AS)	23.3%	22.1%	22.0%	20.0%	20.5%	19.4%	17.4%	16.6%	18.3%	16.3%

Restaurant brand (Consol)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue growth (%)	64%	47%	21%	29%	25%	19%	15%	16%	6%	1%
Store	503	513	558	577	575	578	628	630	630	638
Store growth (%)	13%	14%	18%	17%	14%	13%	13%	9%	10%	10%
Gross margin (%)	64.3%	64.6%	63.6%	64.1%	64.0%	64.2%	64.4%	64.2%	64.5%	64.9%
EBITDA (INRm) (Pre -Ind AS)	(107)	(154)	(129)	(198)	(24)	94	172	(32)	86	38
EBITDA pre-Ind AS (%)	-2.2%	-2.9%	-2.4%	-3.8%	-0.4%	1.5%	2.8%	-0.5%	1.3%	0.6%
EBITDA margin (%)	6.0%	4.8%	5.6%	5.3%	7.9%	9.0%	11.3%	11.6%	9.7%	10.0%

Restaurant brand (India)	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
Revenue growth (%)	125%	50%	32%	36%	25%	23%	20%	20%	16%	9%
SSSG (%)	66%	27%	9%	8%	4%	4%	3%	2%	3%	-3%
Store	328	334	379	391	396	404	441	455	456	464
Store growth (%)	21%	22%	29%	24%	21%	21%	16%	16%	15%	15%
ADS ('000)	115	121	113	108	120	126	119	105	119	118
Gross margin (%)	66.4%	66.4%	66.4%	66.4%	66.5%	66.8%	67.1%	67.7%	67.6%	67.5%
EBITDA pre- Ind AS (%)	1.1%	3.2%	4.2%	1.5%	2.4%	5.4%	6.8%	2.4%	3.6%	5.0%

<b>Jubilant (Standalone)</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Revenue growth (%)	41%	17%	10%	8%	6%	5%	3%	6%	10%	9%
LFL (%)	28.3%	8.4%	0.3%	-0.6%	-1.3%	-1.3%	-2.9%	0.1%	3.0%	2.8%
Store (India)	1,676	1,753	1,814	1,863	1,891	1,949	2,007	2,096	2,148	2,199
Store growth (%)	18%	18%	17%	15%	13%	11%	11%	13%	14%	13%
ADS ('000)	85	84	84	78	79	78	78	75	79	78
Gross margin (%)	76.7%	76.2%	75.5%	75.3%	76.0%	76.4%	76.7%	76.6%	76.1%	76.1%
EBITDA (INRm) (Pre -Ind AS)	2,343	2,408	2,063	1,680	2,022	2,057	1,967	1,648	1,966	2,024
EBITDA pre-Ind AS (%)	18.9%	18.7%	15.7%	13.4%	15.4%	15.3%	14.5%	12.4%	13.7%	13.8%
EBITDA margin (%)	24.6%	24.3%	22.0%	20.1%	21.1%	20.9%	20.9%	19.1%	19.3%	19.4%

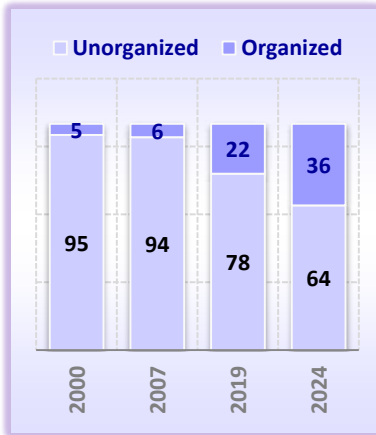
<b>Westlife</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Revenue growth (%)	108%	49%	28%	22%	14%	7%	-2%	1%	0%	1%
SSSG (%)	97%	40%	20%	14%	7%	1%	-9%	-5%	-7%	-7%
Store	331	337	341	357	361	370	380	397	403	408
Store growth (%)	9%	9%	8%	10%	9%	10%	11%	11%	12%	10%
ADS ('000)	181	189	199	173	189	185	176	157	170	168
Gross margin (%)	68.0%	69.3%	70.2%	71.9%	70.6%	70.1%	70.3%	70.2%	70.6%	69.7%
RoM Pre - Ind AS (%)	17.5%	18.8%	20.1%	20.0%	18.8%	17.8%	17.9%	14.4%	14.3%	13.5%
EBITDA (INRm) (Pre -Ind AS)	697	766	877	669	793	732	685	487	502	476
EBITDA pre-Ind AS (%)	13.0%	13.4%	14.3%	12.0%	12.9%	11.9%	11.4%	8.7%	8.1%	7.7%
EBITDA margin (%)	17.1%	17.3%	18.0%	16.5%	17.1%	16.2%	16.0%	13.7%	13.0%	12.7%

<b>Barbeque Nation</b>	<b>1QFY23</b>	<b>2QFY23</b>	<b>3QFY23</b>	<b>4QFY23</b>	<b>1QFY24</b>	<b>2QFY24</b>	<b>3QFY24</b>	<b>4QFY24</b>	<b>1QFY25</b>	<b>2QFY25</b>
Revenue growth (%)	209%	41%	14%	12%	3%	-3%	1%	6%	-6%	1%
SSSG (%)	182%	23%	-1%	-3%	-8%	-11%	-5%	1%	-7%	-3%
Store	195	205	212	216	212	212	210	217	219	222
Store growth (%)	17%	23%	22%	17%	9%	3%	-1%	0%	3%	5%
ADS ('000')	179	168	172	144	170	158	175	153	155	153
Gross margin (%)	66.8%	66.1%	66.7%	65.8%	64.0%	65.9%	67.9%	68.9%	68.1%	68.1%
EBITDA (INRm) (Pre -Ind AS)	430	310	339	107	179	134	363	239	212	166
EBITDA pre-Ind AS (%)	13.7%	10.0%	10.3%	3.8%	5.5%	4.5%	11.0%	8.0%	6.9%	5.4%
EBITDA margin (%)	22.4%	18.8%	18.9%	14.2%	14.4%	14.7%	20.0%	18.4%	16.6%	14.9%

Source: Company, MOFSL

**Jewelry – On growth runway; beat on margin**

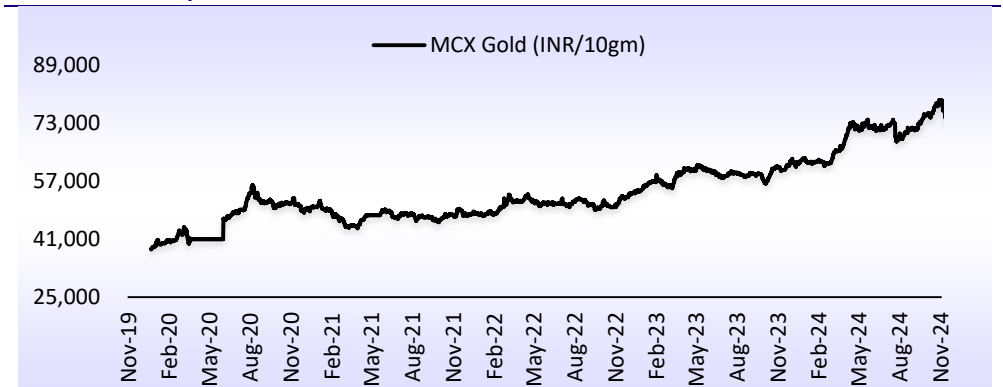
Visible shift toward organized jewelry players



Jewelry companies delivered strong momentum in revenue growth post the customs duty reduction.

- Jewelry companies delivered strong momentum in 2QFY25, with healthy sales in Jul’24, followed by stronger Aug’24, benefiting from the reduction in customs duty. The first half of Sep’24 also saw a solid performance; however, sales slowed in the last 10-15 days due to the Shraddh period. Titan (Jewelry standalone), Kalyan, and Senco delivered revenue growth of 26%, 37%, and 31%, respectively, with SSSG of 15%, 23%, and 20%.
- Studded jewelry sales declined across companies, except for Kalyan, due to softer diamond demand, which impacted margins. For Kalyan, a higher revenue contribution from franchise stores also hurt reported margins. The reduction in customs duty resulted in an inventory loss of INR2.9b for Titan, INR690m for Kalyan, and ~INR298m for Senco, which hurt the reported profitability of companies. These losses were partially offset by adjustments in raw material prices, with the remaining 40-50% impact expected in 2HFY25. Festive demand in Oct’24 was robust and we remain positive on the jewelry sector, anticipating an accelerated shift in consumer preference from unorganized/local channels to organized.
- **Store addition pace to continue** – Most jewelry players have been increasing their store count at an aggressive rate (FY19-24 average CAGR: 14%) as they look to build presence. The pace of store addition will continue in FY25, as Titan (Jewelry), Kalyan, and Senco added 72/50/7 stores in 1HFY25 (taking total count to 1,009/303/166).
- **Outlook** - We are optimistic about the jewelry category and anticipate ongoing rapid shifts in consumer purchasing behavior, transitioning from unorganized/local to organized channels. Factors such as increasing ticket prices, enhanced shopping experiences, and greater product variety are driving this trend.

Exhibit 21: Gold price trend



Source: Bloomberg, MOFSL

**Exhibit 22: Jewelry companies quarterly trends**

Jewelry companies	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25
<b>Sales (INRb)</b>										
Titan (Total)	94.4	91.6	116.1	103.6	119.0	125.3	141.6	124.9	132.7	145.3
Titan (Jewelry)	83.5	80.0	104.5	91.2	107.0	110.8	127.4	110.1	118.1	127.7
Titan (Jewelry ex-bulion)	80.0	75.2	101.3	80.7	97.6	92.7	125.6	98.2	108.1	117.8
Kalyan (Consol)	33.3	34.7	38.8	33.8	43.8	44.1	52.2	45.3	55.4	60.7
Kalyan (India)	27.2	28.4	32.2	28.1	36.4	37.5	45.1	38.8	46.9	52.3
Senco	10.1	9.1	13.4	8.1	13.1	11.5	16.5	11.4	14.0	15.0
<b>Sales growth (%)</b>										
Titan (Total)	172%	22%	16%	33%	26%	37%	22%	21%	12%	16%
Titan (Jewelry)	174%	22%	15%	33%	28%	39%	22%	21%	10%	15%
Titan (Jewelry ex-bulion)	204%	18%	13%	24%	22%	23%	24%	22%	11%	27%
Kalyan (Consol)	104%	20%	13%	18%	31%	27%	34%	34%	27%	37%
Kalyan (India)	113%	13%	12%	17%	34%	32%	40%	38%	29%	39%
Senco					30%	26%	23%	40%	8%	31%
<b>Stores</b>										
Titan (Jewelry)	606	645	685	763	792	844	898	937	974	1009
Kalyan (India)	127	132	137	149	161	175	201	217	241	267
Kalyan (Total)	158	162	167	180	192	206	228	253	277	303
Senco	131	134	136	136	142	145	155	159	165	166
<b>Studded mix(%)</b>										
Titan	26%	32%	26%	33%	26%	33%	24%	33%	26%	30%
Kalyan (India)	24%	26%	27%	28%	29%	29%	27%	29%	30%	30%
Senco	9%	10%	12%	10%	11%	12%	10%	13%	10%	11%
<b>GP margin (%)</b>										
Titan	25.5%	27.6%	23.9%	24.3%	22.2%	23.4%	23.3%	22.3%	22.1%	22.7%
Kalyan	15.5%	15.2%	16.0%	15.8%	15.1%	14.3%	14.6%	14.6%	14.3%	13.8%
Senco	13.5%	11.9%	19.3%	18.9%	12.5%	11.8%	18.7%	17.1%	17.3%	14.2%
<b>EBIT margin (%)</b>										
Titan (Total)	12.0%	13.1%	11.4%	10.5%	9.3%	11.1%	10.9%	9.5%	9.1%	10.2%
Titan (Jewelry)	12.6%	13.6%	11.9%	11.0%	9.6%	11.0%	11.6%	9.9%	9.3%	9.9%
Kalyan	6.2%	5.9%	6.8%	5.7%	5.9%	5.6%	5.7%	5.1%	5.4%	5.1%
Senco	4.5%	2.5%	11.3%	6.5%	4.2%	2.3%	10.0%	6.1%	6.5%	4.3%

Source: Company, MOFSL



## Commodity prices – Non-agri stable, agri showing inflationary trends

Companies are implementing calibrated price hikes to mitigate the impact of higher input costs, with the full effect likely to unfold in 2HFY25.

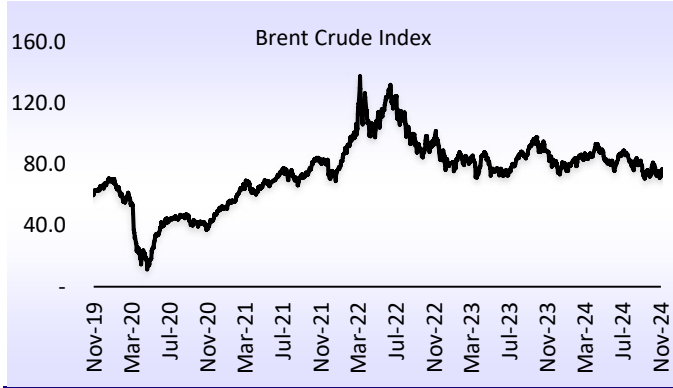
- Prices of non-agricultural commodities, such as crude oil, TiO<sub>2</sub>, and VAM, declined, whereas agricultural commodities, such as palm oil, wheat, coffee, tea, and maize, continued to face inflationary pressures through Nov'24. The imposition of import duties on oil commodities to support domestic producers further exacerbated price increases.
- Rising raw material costs contributed to weaker gross margins in 2QFY25. Companies are implementing calibrated price hikes to mitigate the impact of higher input costs, with the full effect likely to unfold in 2HFY25.
- Companies are focused on normalizing the gap between volume and value growth while prioritizing a strategic balance between revenue growth and margin expansion amid evolving market dynamics. This approach aims to navigate cost pressures effectively while maintaining competitive positioning.

Exhibit 23: Trend in commodity prices

Commodity	Unit	Companies	CMP	Average price of commodity					Change in prices	
				FY24		FY25		FY25*	YoY (%)	QoQ (%)
				3Q	4Q	1Q	2Q	3Q		
<b>Non- Agri Commodity</b>										
Brent Crude	USD/barrel	Paints, PIDI, HUL, GCPL, JYL	74	84	83	85	80	75	-11	-6
Titanium Dioxide	INR/kg	Paints	338	356	345	342	343	349	-2	2
Titanium Dioxide China	CNY/MT	Paints	15,167	17,038	16,730	16,742	15,771	15,350	-10	-3
VAM China	USD/MT	PIDI, Paints	774	880	994	813	778	777	-12	0
Soda Ash	INR/50kg	HUL, GCPL, JYL	1,800	1,828	1,788	1,813	1,832	1,802	-1	-2
Glass	India WPI Index	UNSP, UBBL	173	175	176	175	174	173	-2	-1
Gold	MCX Gold (INR/10gm)	Jewelry	74,468	60,591	63,177	71,749	71,543	76,582	26	7
HDPE	INR/10kg	Marico	975	1,010	1,045	1,035	1,026	979	-3	-5
<b>Agri Commodity</b>										
Wheat	INR/quintal	ITC, NESTLE, BRIT	3,039	2,631	2,559	2,525	2,743	2,944	12	7
Sugar	INR/quintel	HUL, ITC, NESTLE, DABUR, BRIT	3,850	3,978	3,831	3,933	3,901	3,958	0	1
Mentha	INR/KG	HMN, HUL, CLGT, DABUR	1,000	1,021	1,020	1,006	1,012	998	-2	-1
Cashew	India WPI Index	BRIT	169	148	146	154	164	169	14	3
Maize	INR/quintel	HUL, CLGT, DABUR	2,425	2,136	2,233	2,201	2,527	2,432	14	-4
Molasses	India WPI Index	UNSP	159	150	155	157	157	159	6	1
Barley	INR/quintel	UBBL, NESTLE	2,400	2,115	2,027	2,064	2,221	2,390	13	8
Tea	India WPI Tea	HUL	231	162	139	187	208	231	42	11
Cocoa beans	USD/MT	NESTLE	8,404	3,979	6,128	9,467	8,555	7,418	86	-13
Coffee	India WPI Coffee	NESTLE, HUL	233	209	216	221	232	233	12	0
Tabacoo	India WPI Tabacoo	ITC	114	114	114	114	114	114	0	0
Milk	India WPI Milk	NESTLE, BRIT	186	181	183	185	186	186	2	0
SMP	US\$/CWT	NESTLE, BRIT		137	131	126	129	135	-1	5
Copra	Copra WPI Index	MRCO, DABUR	209	149	156	155	171	209	40	22
Yarn	NNS Cotton Yarn Hosiery Yarn Carded 40 price INR/kg India	PAGE	255	252	263	262	258	255	1	-1
<b>Oil Commodities</b>										
Palm Fatty acid	USD/MT	HUL, GCPL, JYL	964	747	745	810	844	933	25	11
Malaysia Palm oil	MYR/MT	HUL, GCPL, JYL	5,072	3,678	4,006	4,037	4,000	4,657	27	16
Coconut Oil	INR/quintel	MRCO, DABUR	19,000	12,172	11,187	12,796	13,617	19,273	58	42
Rice Bran oil	Rice Bran oil Index	MRCO	173	141	137	147	152	173	23	14
Sunflower oil	INR/MT	MRCO	1,35,500	85,386	86,900	89,133	96,071	1,26,818	49	32

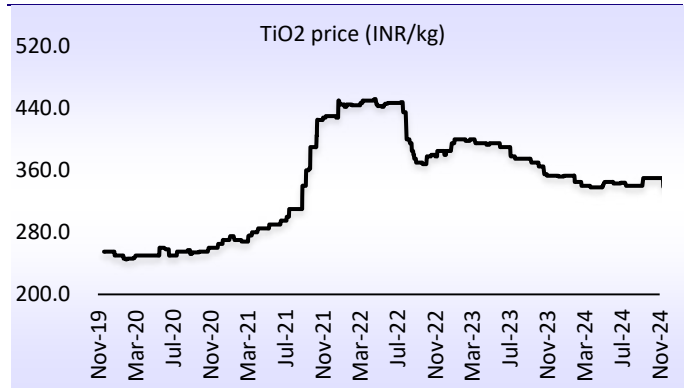
\*till Nov'24, Source: Company, MOFSL

**Exhibit 24: Brent crude down 11% YoY/6% QoQ till Nov'24**



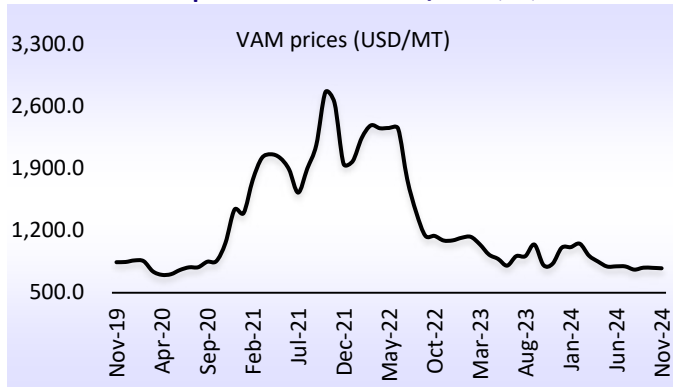
Source: Bloomberg, MOFSL

**Exhibit 25: TiO2 prices is stable from last four-five quarters**



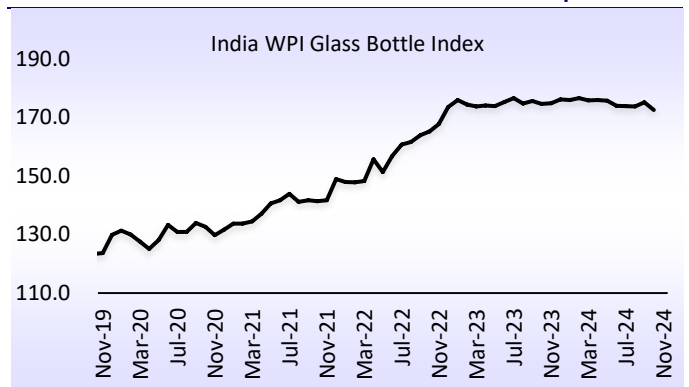
Source: Bloomberg, MOFSL

**Exhibit 26: VAM prices down 12% YoY/flat QoQ till Nov'24**



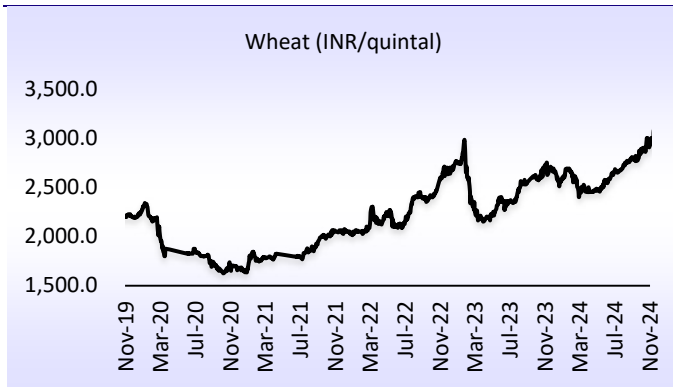
Source: Bloomberg, MOFSL

**Exhibit 27: Glass cost is stable from last four-five quarters**



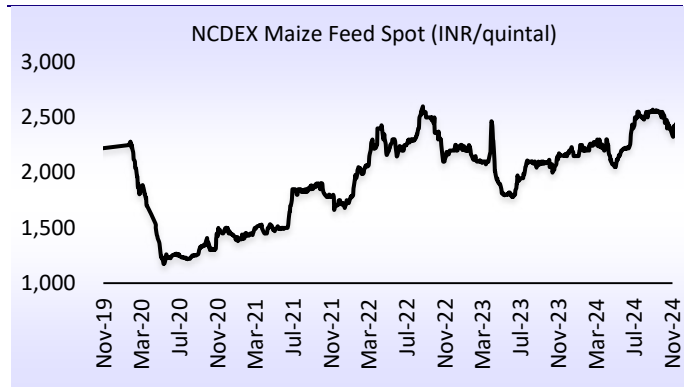
Source: Bloomberg, MOFSL

**Exhibit 28: Wheat prices up 12% YoY and 7% QoQ till Nov'24**



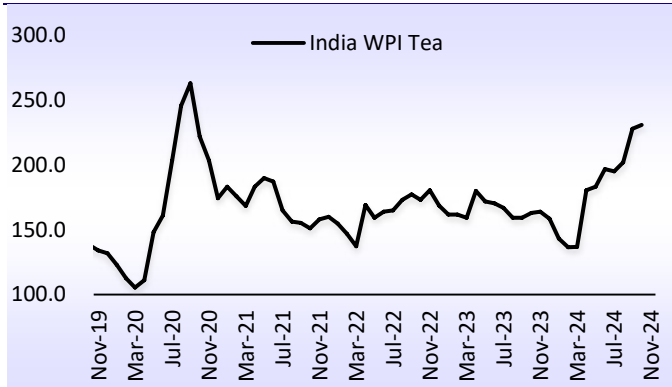
Source: Bloomberg, MOFSL

**Exhibit 29: Maize price up 14% YoY while down 4% QoQ till Nov'24**



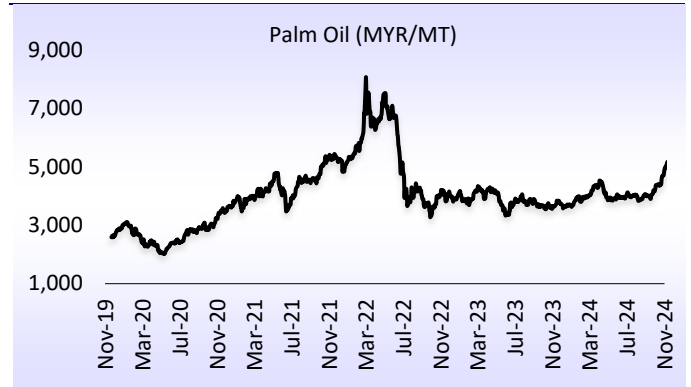
Source: Bloomberg, MOFSL

**Exhibit 30: Tea prices up 42% YoY and 11% QoQ till Nov'24**



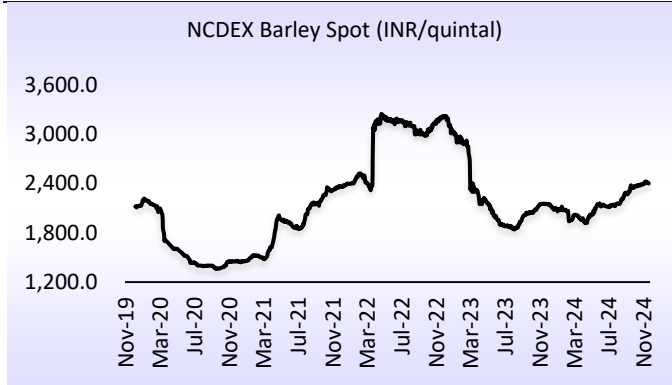
Source: Bloomberg, MOFSL

**Exhibit 31: Malaysian palm oil prices up 27% YoY and 16% QoQ till Nov'24**



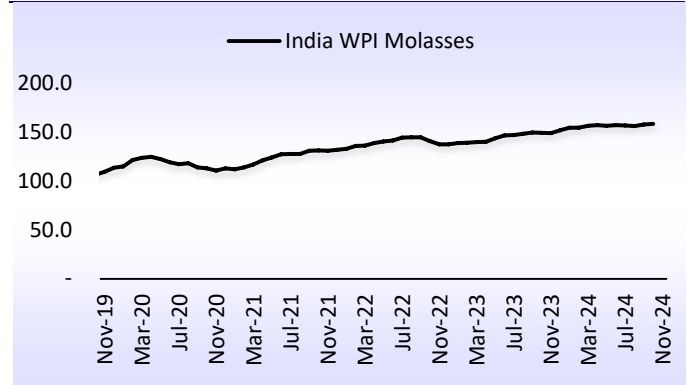
Source: Bloomberg, MOFSL

**Exhibit 32: Barley prices up 13% YoY and 8% QoQ till Nov'24**



Source: Bloomberg, MOFSL

**Exhibit 33: Molasses (ENA) prices up 6% YoY and 1% QoQ till Nov'24**



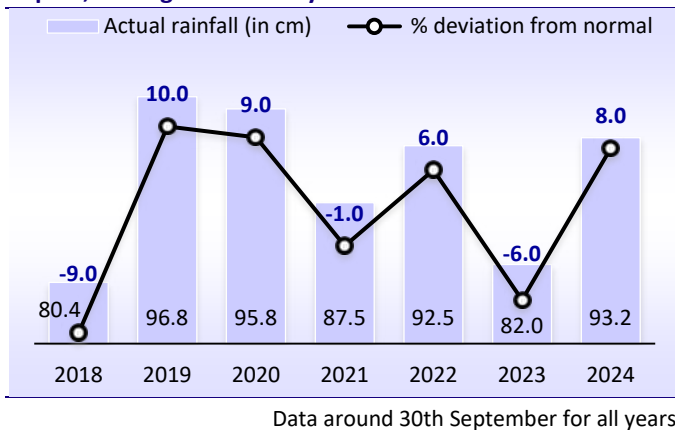
Source: Bloomberg, MOFSL

## Monsoon update: Southwest monsoon ends at 8% surplus



- As highlighted by our Economist team in their [Monsoon diary](#) note, the four-month southwest monsoon season ended on 30<sup>th</sup> Sep'24, recording 'above-normal' rainfall across India. India recorded cumulative rainfall of 93.2cm (8% above normal) in the 2024 southwest monsoon season, much higher than 82cm (6% below normal) last year and the highest in the last four years.
- Benefitting from an above-normal southwest monsoon season in 2024, cumulative Kharif sowing has risen by 1.5% YoY as of 20<sup>th</sup> Sep'24. The increase in sowing area is a positive indicator for the agriculture sector and reflects the government's commitment to enhancing farm productivity. With broad increases across various crops, this trend could potentially alleviate concerns about a surge in food inflation.
- Overall, with the strong economic growth trajectory of the country with surplus rains and the upcoming festive season, we expect that consumption will increase steadily in 2HFY25.

**Exhibit 34: : Southwest monsoon stood at 8% surplus as of Sep'24, the highest in four years...**

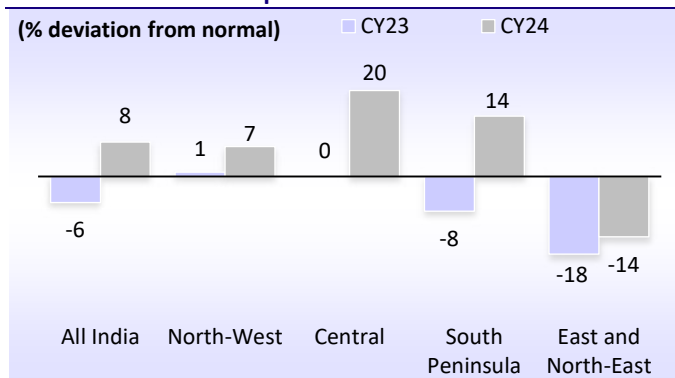


**Exhibit 35: ...mainly due to higher rainfall in South and Central India**

Cumulative rainfall (% deviation from normal)	All India	North-West	Central	South Peninsula	East and North-East
02-Jun	-10	-81	-63	18	18
30-Jun	-11	-33	-14	14	-13
31-Jul	2	-18	17	27	-19
31-Aug	7	2	17	20	-13
29-Sep	8	7	20	14	-14

Source: CEIC, MOFSL

**Exhibit 36: : Three of the four regions have received above-normal rainfall as of Sep'24**



Source: MOFSL

**Exhibit 37: Cumulative Kharif sowing rose 1.5% YoY as of 20<sup>th</sup> Sep'24, led by pulses and millets**

Kharif sowing	(% YoY)			
	28-Jun	26-Jul	30-Aug	20-Sep
Rice	-0.2	-0.2	3.8	2.2
Coarse cereals	-14.7	5.0	3.7	3.5
Total cereals	-9.1	1.9	3.8	2.6
Pulses	181.0	14.1	7.3	7.8
All food grains	13.6	4.3	4.4	3.5
Oilseeds	155.4	3.8	1.0	1.5
Sugarcane	2.6	1.1	1.0	1.0
Jute	-6.5	-6.9	-13.1	-13.9
Cotton	62.9	-6.9	-9.2	-8.9
All crops	32.6	2.3	1.9	1.5

Source: IMD, CEIC, MOFSL

## Moderation in margins

- In FY24, most companies witnessed a gross margin reversal and a sharp recovery. However, companies reinvested their gross margin gains in marketing spending. Despite volatility in gross margin, such fluctuations were not evident in EBITDA margin.
- In 2QFY25, gross margins for most companies were weak due to rising inflation, while some companies saw margin expansion. A few companies controlled their A&P spending to reduce the pressure on gross margin and operating leverage. However, most companies saw weakness in EBITDA growth. Companies are expected to take price hike in 2HFY25 to offset the rising raw material prices.

Exhibit 38: GP margin trend

Companies name	GP margin (%)						GP margin change	
	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (bps)	QoQ (bps)
Asian Paints	42.9	43.4	43.6	43.7	42.5	40.8	-259	-176
Britannia	41.9	42.9	43.9	44.9	43.4	41.5	-136	-188
Colgate	68.4	68.8	72.2	69.3	70.6	68.5	-23	-210
Dabur	46.6	48.3	48.6	48.6	47.8	49.3	102	155
Emami	65.4	70.1	68.8	65.8	67.7	70.7	61	303
Godrej Consumer	53.7	54.9	55.9	56.1	55.9	55.6	70	-26
HUL	50.4	53.0	52.0	52.3	52.0	51.6	-139	-37
Indigo Paints	47.3	45.6	48.2	48.9	46.6	43.7	-186	-290
ITC	61.8	60.2	60.9	63.2	60.5	55.9	-433	-463
Jyothy	47.9	49.2	49.8	49.5	51.3	50.2	98	-110
Marico	50.0	50.5	51.3	51.6	52.3	50.8	30	-146
Nestle	54.8	56.5	58.6	56.8	57.6	56.6	14	-102
Page Industries	53.2	55.7	53.1	56.0	54.1	56.5	83	234
Pidilite	49.0	51.3	52.9	53.4	53.8	54.4	304	55
P&G Hygiene	57.6	60.9	60.2	66.3	59.2	62.9	199	371
United Breweries	40.6	44.5	44.0	41.7	43.0	43.8	-69	81
United Spirits	43.6	43.4	43.4	43.3	44.5	45.2	178	73

Source: Company, MOFSL

Exhibit 39: EBITDA margin trend

Companies name	EBITDA margin (%)						EBITDA margin change	
	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	YoY (bps)	QoQ (bps)
Asian Paints	23.1	20.2	22.6	19.4	18.9	15.4	-480	-344
Britannia	17.2	19.7	19.3	19.4	17.7	16.8	-290	-95
Colgate	31.6	32.8	33.6	35.7	34.0	30.7	-206	-325
Dabur	19.3	20.6	20.5	16.6	19.6	18.2	-238	-131
Emami	23.0	27.0	31.6	23.7	23.9	28.1	111	423
Godrej Consumer	19.8	20.1	24.7	22.5	21.8	20.8	69	-102
HUL	23.7	24.3	23.5	23.2	23.8	23.8	-49	-2
Indigo Paints	17.0	15.1	17.6	22.0	15.2	13.9	-124	-137
ITC	38.9	36.3	36.1	37.0	36.6	32.6	-370	-395
Jyothy	17.1	18.5	17.5	16.4	18.0	18.9	38	88
Marico	23.2	20.1	21.2	19.4	23.7	19.6	-48	-409
Nestle	22.9	24.8	24.5	25.5	23.3	23.3	-146	1
Page Industries	19.4	20.8	18.7	16.6	19.0	22.6	183	354
Pidilite	21.6	22.1	23.7	19.9	23.9	23.8	167	-17
P&G Hygiene	24.9	25.0	27.3	25.7	14.1	25.6	56	1,150
United Breweries	9.8	9.8	8.0	6.7	11.5	10.7	95	-79
United Spirits	17.7	16.4	16.4	13.6	19.5	17.8	142	-164

## Valuation and recommendation

### OUR RECENT REPORTS



- In our last [consumer sector thematic](#) report published in Apr'24, we emphasized our overweight stance on staple companies owing to favorable risk-reward dynamics and anticipated volume recovery in FY25 and FY26. Over the past two quarters, we have observed steady improvement in volume growth, along with optimistic management commentary regarding further acceleration in growth in the upcoming quarters. After a strong run-up in stocks during Apr-Sep'24, we saw a sharp fall in stocks as these companies failed to show further volume pickup in 2Q, along with adverse stock market activities. We continue to believe that the growth cycle will see an upward trend and valuations will also fall in place accordingly. **We reiterate our overweight stance on the staple segment and continue to prefer HUL, GCPL, and Dabur as our top picks.**
- We remain selective in discretionary companies. Jewelry companies are expected to sustain strong growth momentum, led by SSSG and store addition. **Kalyan Jewellers and Titan are our top picks in the jewelry segment.** For Page Industries, we have recently upgraded our rating after the earnings pickup and normalizing trade inventory.
- We are monitoring QSRs, liquor, and paint companies for indications of improved growth. The recent fall in stock prices certainly captures a large part of negative sentiment for these companies too. We will choose these stocks selectively once we see the business cycle turning.

#### Exhibit 40: Our coverage universe CAGR during FY24-27E

Companies Name	Revenue	Gross Profit	EBITDA	PAT
ITC	9	9	8	6
HUL	7	7	8	9
NESTLE	9	10	10	10
DABUR	8	9	11	10
BRITANNIA	9	9	9	11
GCPL	9	8	10	15
MARICO	9	10	10	10
COLGATE	9	9	10	11
EMAMI	8	9	10	11
P&G	9	10	13	14
JYOTHY	9	10	9	10
UNSP	8	10	12	9
UBBL	12	14	30	36
ASIAN PAINT	7	6	4	3
PIDILITE	11	13	13	16
INDIGO PAINT	13	12	13	12
PAGE	13	14	17	20
<b>Retail</b>				
TITAN	17	18	17	18
KALYAN JEWELERS	29	21	23	33
SENCO GOLD	17	16	20	24
JUBILANT	21	24	24	36
DEVYANI	20	20	23	44
WESTLIFE	11	11	11	25
SAPPHIRE	13	13	15	44
BARBEQUE	10	10	13	NM
RBA	15	17	34	NM

Source: Company, MOFSL



## Exhibit 41: Valuation summary

Company	Reco	CMP	TP	Mkt Cap	EPS (INR)			EPS Growth YoY (%)			P/E (x)			Div. (%)
		(INR)	(INR)	(INR B)	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY24
Hind. Unilever	Buy	2,481	3,100	5,823	45.3	51.0	56.2	3.7	12.5	10.1	54.7	48.6	44.2	1.8
ITC	Buy	472	575	5,968	16.7	18.2	19.8	1.9	9.2	8.4	28.3	25.9	23.9	3.1
Asian Paints	Neutral	2,469	2,650	2,378	47.5	55.2	62.7	-18.0	16.2	13.6	52.0	44.7	39.4	1.7
Nestle India	Neutral	2,261	2,400	2,174	34.0	38.6	43.6	-17.1	13.5	12.8	66.4	58.6	51.9	1.2
Pidilite Inds.	Neutral	3,146	3,200	1,594	42.4	49.0	55.9	18.4	15.4	14.1	74.2	64.2	56.3	0.7
Dabur India	Buy	523	700	929	10.8	12.3	14.2	1.9	14.4	14.7	48.5	42.4	36.9	1.3
Britannia Inds.	Neutral	4,910	5,500	1,179	93.5	107.0	120.7	5.5	14.4	12.8	52.5	45.9	40.7	1.5
Godrej Consumer	Buy	1,230	1,550	1,254	21.1	25.7	29.7	9.1	22.0	15.3	58.3	47.8	41.4	1.4
Marico	Buy	641	750	837	12.7	14.1	15.2	10.9	11.1	7.4	50.4	45.3	42.2	1.8
United Spirits	Neutral	1,543	1,550	1,113	18.8	21.2	23.4	4.0	12.5	10.4	81.9	72.8	65.9	0.6
Page Industries	Buy	46,123	54,000	512	603.4	724.6	872.8	18.2	20.1	20.5	76.4	63.7	52.8	1.0
P & G Hygiene	Neutral	15,915	16,500	516	254.0	286.7	327.1	15.3	12.9	14.1	62.6	55.5	48.7	1.3
Colgate-Palm.	Neutral	2,896	3,250	786	55.6	61.2	66.8	13.0	10.1	9.2	52.1	47.3	43.3	1.6
United Breweries	Neutral	1,953	1,950	518	21.7	31.1	38.7	39.4	43.6	24.3	90.2	62.8	50.5	0.4
Emami	Buy	640	850	281	20.6	22.7	24.4	13.9	10.5	7.6	31.1	28.2	26.2	1.6
Indigo Paints	Buy	1,431	1,750	67	31.3	36.9	43.3	1.1	17.8	17.4	45.7	38.8	33.1	0.4
Jyothy Labs	Neutral	412	500	152	10.8	11.7	12.9	9.9	8.7	10.3	38.2	35.1	31.9	1.3
<b>Retail</b>														
Titan Company	Buy	3,334	3,850	2,942	43.0	53.6	64.0	9.6	24.7	19.3	77.5	62.2	52.1	0.4
Kalyan Jewellers	Buy	727	800	744	8.1	10.8	13.5	38.9	34.2	25.2	90.2	67.2	53.7	0.3
Senco Gold	Buy	1,144	1,400	89	32.2	38.3	44.7	38.1	19.0	16.8	35.6	29.9	25.6	0.2
Jubilant Food.	Neutral	657	625	430	5.1	7.7	10.0	29.9	50.7	29.7	128.1	85.0	65.5	0.3
Devyani intl.	Buy	165	215	201	0.5	1.8	2.3	-41.4	288.2	31.4	365.7	94.2	71.7	0.0
Westlife Foodworld	Neutral	790	800	119	1.1	5.7	8.6	-75.3	418.0	50.8	720.2	139.0	92.2	0.0
Sapphire Foods	Buy	338	415	104	1.3	3.3	4.8	-21.4	160.9	44.4	263.4	101.0	69.9	0.0
Restaurant Brands	Buy	88	135	43	-3.6	-1.0	1.2	Loss	Loss	LP	NM	NM	75.3	0.0
Barbeque Nation	Neutral	520	600	20	-1.1	2.0	4.8	Loss	LP	144.0	NM	265.9	109.0	0.0

Source: Company, MOFSL

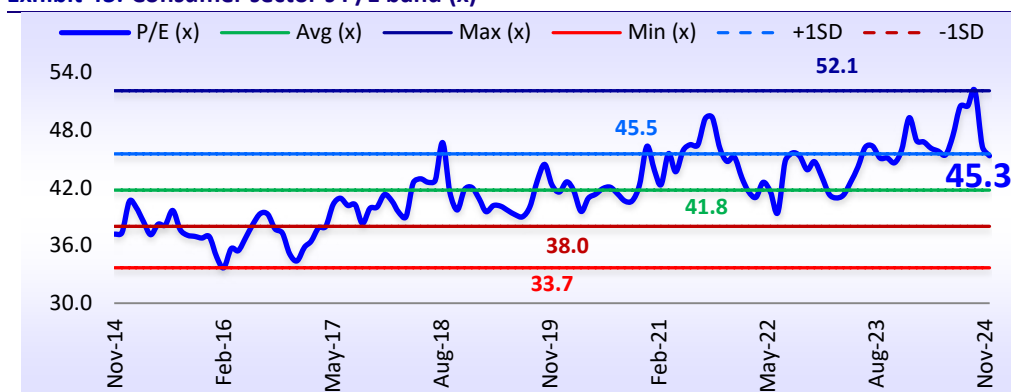
**Exhibit 42: Valuation changes vs. historical averages**

Companies	Current P/E (x)	Average P/E (x)			Prem / Disc P/E (x) vs.		
		15 YR	10 YR	5 YR	15 YR	10 YR	5 YR
<b>Consumer</b>	<b>45.3</b>	<b>37.5</b>	<b>41.8</b>	<b>44.4</b>	<b>20.9</b>	<b>8.5</b>	<b>2.2</b>
<b>Consumer Excl. ITC</b>	<b>53.1</b>	<b>37.5</b>	<b>51.9</b>	<b>57.0</b>	<b>41.5</b>	<b>2.3</b>	<b>-6.8</b>
Asian Paints	47.1	47.4	55.8	63.3	-0.6	-15.6	-25.6
Britannia Inds.	47.3	39.1	47.2	50.0	21.0	0.1	-5.5
Colgate-Palm.	45.9	33.0	40.5	40.4	38.9	13.2	13.5
Dabur India	43.4	39.8	46.1	52.6	8.9	-6.0	-17.5
Emami	29.1	22.7	28.2	26.6	28.2	3.1	9.3
Godrej Consumer	49.3	39.9	45.4	48.6	23.5	8.6	1.5
Hind. Unilever	49.8	45.4	52.9	57.9	9.7	-5.8	-14.0
Indigo Paints	42.9	66.9	66.9	66.9	-35.9	-35.9	-35.9
ITC	26.8	24.5	24.0	20.9	9.7	11.8	28.2
Jyothy Lab.	35.4	34.6	34.2	29.9	2.3	3.6	18.6
Marico	43.8	34.1	42.7	45.2	28.5	2.5	-3.0
Nestle India	60.6	50.1	59.5	67.9	21.0	1.9	-10.7
P & G Hygiene	57.4	54.7	65.0	68.0	5.0	-11.7	-15.6
Page Industries	65.7	53.4	66.5	69.8	23.0	-1.3	-5.9
Pidilite Inds.	63.2	47.6	59.2	74.6	32.8	6.9	-15.2
Tata Consumer	51.5	42.1	47.5	58.4	22.4	8.4	-11.8
United Breweries	66.5	86.3	93.3	110.3	-22.9	-28.7	-39.7
United Spirits	73.5	NA	62.6	60.9	-99.1	17.5	20.8
Varun Beverages	65.6	46.7	46.7	48.9	40.4	40.4	34.1

Source: Bloomberg, MOFSL

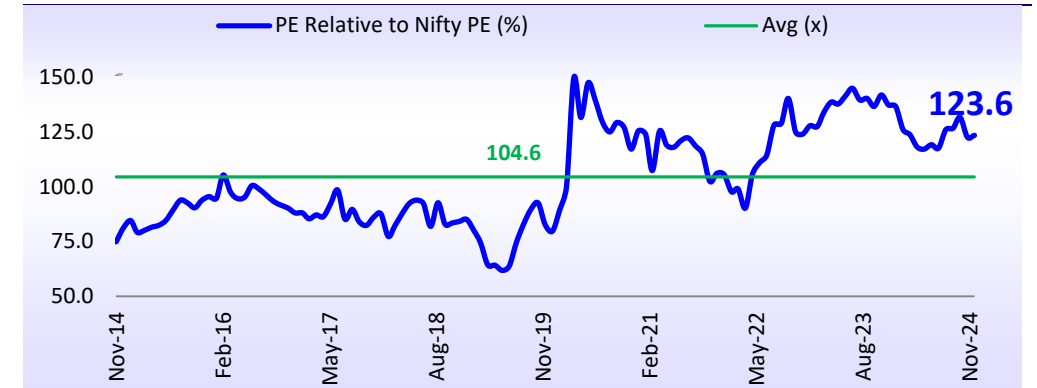
The sector was trading at a P/E of ~30x during 2014, but it has since undergone a re-rating, with multiples increasing to 40-45x since 2019.

**Sector charts:** The sector's valuation has seen a consistent re-rating over the last 10-15 years. It was trading at a P/E of ~30x during 2014, but it has since undergone a re-rating, with the multiple increasing to 40-45x after 2019. However, over the last 2-3 years, the sector's valuation has de-rated.

**Exhibit 43: Consumer sector's P/E band (x)**

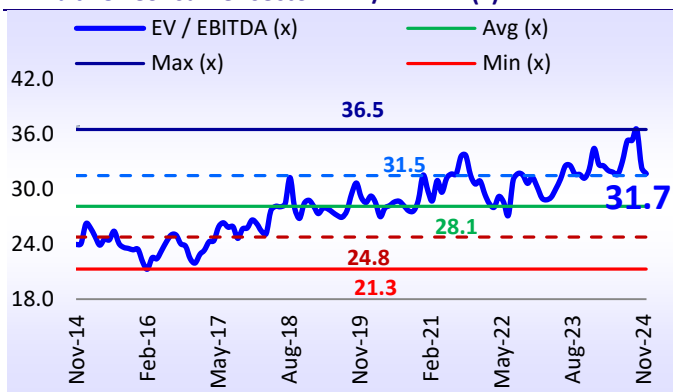
Source: Bloomberg, MOFSL

**Exhibit 44: Consumer sector's P/E relative to the Nifty P/E (%)**



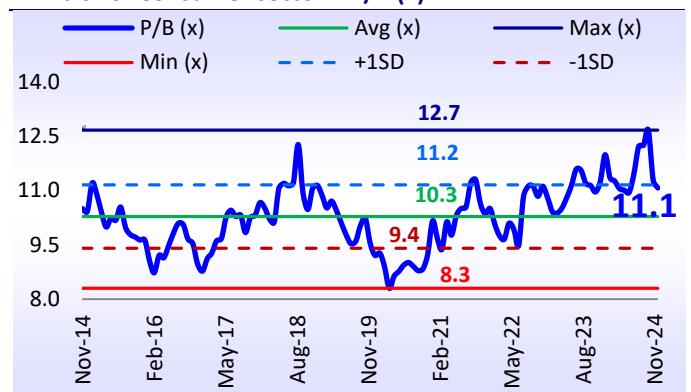
Source: Bloomberg, MOFSL

**Exhibit 45: Consumer sector – EV/EBITDA (x)**



Source: Bloomberg, MOFSL

**Exhibit 46: Consumer sector – P/B (x)**



Source: Bloomberg, MOFSL

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NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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