Market snapshot

Equities - India	Close	Chg .%	CYTD.%
Sensex	82,381	0.7	5.4
Nifty-50	25,239	0.7	6.7
Nifty-M 100	58,800	0.5	2.8
Equities-Global	**Close**	**Chg .%**	**CYTD.%**
S&P 500	6,607	-0.1	12.3
Nasdaq	22,334	-0.1	15.7
FTSE 100	9,196	-0.9	12.5
DAX	23,329	-1.8	17.2
Hang Seng	9,386	0.0	28.8
Nikkei 225	44,902	0.3	12.6
Commodities	**Close**	**Chg .%**	**CYTD.%**
Brent (US$/Bbl)	68	1.4	-7.6
Gold ($/OZ)	3,690	0.3	40.6
Cu (US$/MT)	10,067	-0.6	16.3
Almn (US$/MT)	2,733	1.0	8.2
Currency	**Close**	**Chg .%**	**CYTD.%**
USD/INR	88.1	-0.2	2.9
USD/EUR	1.2	0.9	14.6
USD/JPY	146.5	-0.6	-6.8
YIELD (%)	**Close**	**1MChg**	**CYTD chg**
10 Yrs G-Sec	6.5	0.00	-0.3
10 Yrs AAA Corp	7.2	0.12	0.0
Flows (USD b)	**16-Sep**	**MTD**	**CYTD**
FIIs	0.04	-0.09	-15.3
DIIs	0.17	3.64	59.4
Volumes (INRb)	**16-Sep**	**MTD***	**YTD***
Cash	987	984	1062
F&O	4,71,325	2,62,899	2,19,578

Note: Flows, MTD includes provisional numbers.
*Average

Today's top research idea

Financials – Banks – MOFSL BFSI picks 3.0: Earnings rebound and reasonable valuations to drive sector performance

- Over the past 12 months, the Nifty Financials and Nifty Bank Index have outperformed the Nifty 50 by 11% and 7%, respectively. However, banking stocks continue to show divergence, with both Private and PSU banking segments delivering mixed returns.
- While our bias was tilted towards NBFCs and non-lending financials in earlier editions, we are now incrementally adopting a more balanced view, as we expect the performance of banking stocks to improve with an impending recovery in earnings.
- Additionally, management commentary is turning constructive. This, coupled with a demand uptick led by the GST rate cut and potential resolution on tariffs (as negotiations have resumed), is expected to boost investor sentiment.
- Even as the macro-environment continues to evolve at an unprecedented pace, the biggest challenge we face is event risk. This has adversely impacted the performance of some of our BFSI picks. However, we take comfort in the fact that despite these external events impacting prices, the aggregate performance of our model portfolio remains strong. This resilience, supported by multiple winners, has resulted in the portfolio's outperformance against both Nifty and Bank Nifty.

Research covered

Cos/Sector	Key Highlights
Financials – Banks	MOFSL BFSI picks 3.0 – Earnings rebound and reasonable valuations to drive sector performance
Retail	Apparel and Footwear channel checks
Consumer	Channel checks – Proactive moves by FMCG players

Chart of the Day: Financials – Banks (MOFSL BFSI picks 3.0)

MOFSL BFSI picks 3.0: Preferred ideas from our coverage of ~70 BFSI names

MOFSL BFSI picks	Segment
ICICI Bank	Private Bank
HDFCB	Private Bank
SBIN	PSU Bank
AU SFB	Small Finance banks
Shriram Finance	Vehicle Financiers
PNBHF	Housing Finance
Aavas Financiers	Housing Finance
LTFH	Diversified
AB Capital	Diversified
Max Financial	Life insurance
HDFC Life	Life insurance
Niva Bupa	General insurance
Aditya Birla AMC	AMCs
HDFC AMC	AMCs
CAMS	Intermediaries
Nuvama	Wealth management

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In the news today

Kindly click on textbox for the detailed news link

1

Jindal Steel International makes non-binding offer for thyssenkrupp's steel ops

Jindal Steel International submits a non-binding bid for Germany's thyssenkrupp Steel, aiming to preserve its legacy and drive Europe's green steel transition.

2

Airtel's anti-fraud push cuts cybercrime losses by nearly 70%

Bharti Airtel's AI-powered anti-fraud push has cut cybercrime losses by nearly 70%, according to I4C data. With spam detection and malicious link blocking, Airtel is protecting millions of users and pledges continued investment in AI-led digital security.

3

NCLAT clears Vedanta demerger plan

NCLAT approves Vedanta's demerger plan, overturning NCLT Mumbai order. The ruling allows Vedanta to restructure power and metal units, including Talwandi Sabo Power, after a settlement with EPC contractor Sepco cleared key procedural hurdles.

4

Dr Reddy's launches Tegoprazan for treatment of acid-related disorders in Indian market

Dr. Reddy's has an exclusive partnership with South Korea-based HK inno.N Corporation

5

Ashok Leyland ready to roll out hydrogen trucks by 2027

Ashok Leyland plans to launch its first hydrogen-powered trucks in India by 2027. Backed by government GST reforms and the National Green Hydrogen Mission, the Hinduja Group firm eyes hydrogen as the next big leap after EVs, with partnerships driving innovation in clean mobility.

6

Indian tyre industry to grow 12-fold in revenue at ₹13,000 crore till 2047: ATMA report

According to a joint report by the Automotive Tyre Manufacturers Association (ATMA) and PwC India, the Indian tyre industry production volume is expected to expand around four times by 2047

7

'We plan to reach 100 million households by 2030,' says Sandeep Verma

Bayer Consumer Health aims to reach 100 million Indian households by 2030. Sandeep Verma, South Asia Cluster Head, shares insights on digital-first strategies, Make in India focus, precision marketing, and addressing everyday health needs in nutrition, pain relief, and dermatology.

Financials: Banks

Segment	MOFSL BFSI picks
Private banks	ICICI Bank
	HDFCB
PSU Bank	SBIN
SFBs	AU SFB
Vehicle Financiers	Shriram Finance
Housing Finance	PNBHF
	Aavas Financiers
Diversified	L&T Finance
	AB Capital
Life insurance	HDFC Life
	Max Financials
General insurance	Niva Bupa
AMCs	HDFC AMC
	Aditya Birla AMC
Intermediaries	CAMS
Wealth management	Nuvama

MOFSL BFSI picks 3.0: Earnings rebound and reasonable valuations to drive sector performance

Remain constructive on the sector; stance tilting in favor of banks amid better earnings outlook

- **Over the past 12 months, the Nifty Financials and Nifty Bank Index have outperformed the Nifty 50 by 11% and 7%, respectively. However, banking stocks continue to show divergence, with both Private and PSU banking segments delivering mixed returns.**
- **While our bias was tilted towards NBFCs and non-lending financials in earlier editions, we are now incrementally adopting a more balanced view, as we expect the performance of banking stocks to improve with an impending recovery in earnings.**
- **Additionally, management commentary is turning constructive. This, coupled with a demand uptick led by the GST rate cut and potential resolution on tariffs (as negotiations have resumed), is expected to boost investor sentiment.**
- **Even as the macro-environment continues to evolve at an unprecedented pace, the biggest challenge we face is event risk. This has adversely impacted the performance of some of our BFSI picks. However, we take comfort in the fact that despite these external events impacting prices, the aggregate performance of our model portfolio remains strong. This resilience, supported by multiple winners, has resulted in the portfolio's outperformance against both Nifty and Bank Nifty.**
- **In this note, we present an updated view along with a refreshed list of our top 16 BFSI stocks, selected from our overall BFSI coverage of ~70 stocks. Please refer to Exhibit 1 for details on the MOFSL BFSI picks 3.0. Below, we summarize our insights on various BFSI segments and highlight our preferred ideas:**

Banks: Headwinds continue; earnings growth on the cusp of turnaround

- The banking system has witnessed a deceleration in credit growth to ~10% YoY, led by moderation in key retail and corporate segments. The reduction in GST rates, coupled with lagged benefits from income tax cuts, is expected to drive demand and support loan recovery over 2HFY26. We project credit growth of 11% for FY26, with further acceleration to ~13% in FY27E.
- Sector earnings growth has turned negative due to margin pressure from elevated funding costs and yield compression arising from the transmission of repo rate cuts. Additionally, asset quality stress in unsecured loans and sectors like MSME and CV continues to weigh on near-term profitability.
- Despite these headwinds, signs of stabilization are emerging. Deposit repricing is underway, and the phased CRR cuts are expected to ease liquidity constraints, thereby supporting margin recovery. Additionally, improvements in unsecured retail stress (MFI) and a moderation in credit costs over 2H will support medium-term earnings. We estimate FY27 earnings growth to recover to ~18.4% (~3% YoY growth in FY26).

Nifty Financials and Bank Nifty indices outperform Nifty 50 index

- Over the past 12 months, the **Nifty Financials and Bank Nifty indices** have outperformed the Nifty 50 by 11% and 7%, respectively. However, banking stocks continue to show divergence, with both Private and PSU banking segments delivering mixed returns. Notably, the market-cap weighted return of our model portfolio (~12%) exceeds indices' returns, with Nifty 50, Nifty Bank, Nifty Financials, and BSE-200 all reporting 9-11% returns.

- **The Nifty Private Bank Index** delivered a modest 3% return over the past 12 months, even as large-cap banks such as HDFCB, ICICIBC, and Kotak Bank delivered healthy returns of 16%, 12%, and 9%, respectively. Mid-sized PVBs, including RBL Bank, CUB, and KVB, led the pack with returns of 27%, 22%, and 14%, respectively. On the other hand, IIB was the biggest underperformer due to reported accounting discrepancies. We upgraded RBL Bank in Apr'25 after a gap of nearly two years, and the stock has since delivered ~45% returns following the upgrade.
- **The NBFC sector** has recently shown subdued performance in asset quality and loan growth. Stress is evident in CV, micro-LAP, and small-ticket unsecured MSME loans, as asset quality challenges have spilled from unsecured (MFI) to small-ticket secured segments. While rate cuts are expected to support margins (in select products) and boost demand, lenders are prioritizing high-quality lending with tighter underwriting standards. Recent GST rate cuts could stimulate consumption, potentially improving demand and auto volumes. **AB Capital, LTFH, BAF, Muthoot, and MGFL have all delivered returns ranging from 30% to 50% over the past 12 months.**
- **The non-lending financial** sector witnessed mixed performance, with a sequential recovery in capital market players, subdued performance for general insurers, and steady performance by life insurers. **The AMC space** continued its healthy momentum, led by strong SIP inflows and robust fund performance among listed players. However, **exchanges and brokers** witnessed muted stock performance in the recent past, led by expectations of further regulatory clampdown on F&O volumes. BSE, HDFC AMC, and Anand Rathi delivered six-month returns of 69%, 49%, 58%, respectively, in six months. **Life insurance** companies reported a healthy 1Q performance, led by a product mix shift towards non-par policies, which boosted VNB margins. The reduction in GST rates may further improve the IRR on non-par products, enhancing the business mix. Max Life, HDFC Life, and SBI Life posted steady six-month returns of 53%, 21%, and 26%, respectively, over the past six months. **The general insurance segment** continued to underperform due to changes in accounting (1/n regulations), muted auto sales growth, and weak economic activity impacting sales of commercial lines products.

Private Banks: Performance remains divergent amid sector challenges

- Business momentum has been modest, with NIMs declining sharply due to the transmission of repo rate cuts and elevated stress in unsecured lending segments. CASA mix also moderated following the seasonal CA flows in 4Q. Growth in corporate was sluggish, and unsecured loan growth has weakened amid stress in MFI, PL, and CC. Meanwhile, MSME and vehicle finance portfolios also showed signs of moderation, further pressuring portfolio growth and overall lending yields.
- Margins are expected to contract further in 2QFY26. However, most banks have already implemented SA and TD rate cuts, and the phased reduction in CRR effective Sep'25 should help recoup margins in 2H.

- Unsecured retail stress shows early signs of easing, but challenges persist in cyclical sectors like CV loans and MSMEs, with credit costs expected to normalize in 2HFY26. Large private banks with more diversified and secured portfolios continue to fare better.
- We expect PVBs to report an earnings CAGR of ~20% over FY26-28, with growth bottoming out at ~5% in FY26. **Preferred Buys:** ICICI, HDFCB, and Federal Bank.

PSU Banks: Modest earnings growth amid margin pressure

- Margins for PSBs contracted due to their quicker loan repricing cycle; however, robust treasury gains helped limit any material dent to earnings.
- Slippages remained well-contained for most PSBs, supported by minimal exposure to unsecured lending. The GNPA ratio was stable or lower across the board, with PCR levels healthy at ~75-90%. The normalization of credit costs over the coming years, along with the transition to ECL, will be closely monitored.
- RoA for PSBs has largely matured, and we expect earnings growth to remain modest. We estimate PSB earnings growth to sustain at a 14% CAGR over FY26-28 vs 38% CAGR over FY22-25. **Preferred Buys:** SBI, CBK, and INBK**.**

SFBs: Operating performance to improve led by AQ recovery

- **Small Finance Banks (SFBs)** faced significant challenges, mainly due to elevated stress in MFI and unsecured loans. However, collection efficiencies are seeing some improvement. The new MFIN guardrails implemented in FY26 are expected to keep growth measured while aiding gradual improvement in asset quality. However, some lenders anticipate that elevated stress in the MFI segment could persist until 3Q, keeping credit cost risks tilted upward. We expect credit costs to stay high through 1HFY26, before moderating in 2H.
- Margins have witnessed moderation due to repo rate cut, elevated funding costs, and the declining mix of high-yielding MFI segment. We estimate near-term NIMs to remain under pressure. However, recent SA and TD rate cuts, along with the phased benefit from the CRR reduction, are expected to keep funding costs lower and enable a gradual margin recovery. **Preferred Buy:** AUBANK.

Payments and Cards: Reiterate Neutral on SBICARD and PAYTM

- **SBICARD:** SBICARD's provisioning remains elevated, reflecting persistent AQ concerns. Receivables are expected to grow 10-12% YoY, and we anticipate an improvement in card sourcing and volumes over the medium term. NIMs are likely to expand at a calibrated pace, aiding gradual RoA recovery. Reiterate **Neutral**.
- **PAYTM:** The company reported its maiden operational profit in 1QFY25, led by disciplined cost control. Disbursement growth remains healthy, supported by strong traction in the merchant business. We estimate significant earnings expansion over FY26-28 but reiterate a **Neutral** rating.

NBFCs: Growth trends divergent; earnings outlook to improve in 2H

- NBFCs have posted a subdued performance amid a challenging macro-environment, with mixed growth and AQ trend across different segments. Vehicle financiers clocked 18% YoY growth, large HFCs grew at a modest 9% YoY, while affordable and small-ticket HFCs saw a 13% YoY increase. Gold lenders reported a solid AUM growth of 22-40% YoY, while MFI players continued to exhibit moderation, with loan book declining between 1% and 58% YoY as of Jun’25.

- For VFs, AQ deterioration was driven by seasonality and lower vehicle utilization caused by the early onset of monsoons, which pressured borrowers’ cash flows. However, trends are likely to improve in 2HFY26. VFs also noted that the broader macro weakness (partly due to muted capex activity) has necessitated higher collection efforts.
- NIM trends differed across HFCs, with large players like LICHF seeing margin contraction, while affordable HFCs benefited from lower funding costs and stable yields. We estimate sector NIMs to improve in 2HFY26 as the benefits of lower borrowing costs from rate cuts gradually flow through.
- NBFC-MFIs showed improvement in PAR levels across geographies, including Karnataka. Sequentially lower credit costs were supported by steady collection efforts and reduced PAR accretion. MFIs (except Spandana) reported better collection efficiency, with expectations of continued progress in the coming quarters, enabling faster normalization in credit costs.
- We continue to remain optimistic about a recovery in the NBFC sector in 2HFY26, supported by lower borrowing costs providing NIM tailwinds and GST rate reduction boosting consumption and loan volumes. **Preferred Buy:** SHFL, LTFH, ABCL, and HomeFirst.

Capital market: Structural story intact; regulatory actions a key monitorable

- **The capital market** witnessed a healthy recovery in 1QFY26, led by steady growth in cash volumes and strong traction in commodities, though F&O activity softened due to regulatory changes. BSE benefited from higher premium turnover and improved non-expiry day trading, while MCX saw robust gains from surging bullion and energy contracts.
- Among brokers, ANGELONE reported sequential revenue growth, aided by MTF activity, though profitability was impacted by IPL spends and new business investments. Certain regulatory actions, such as the Jane Street ban (which impacted Nuvama’s volumes) and SEBI’s potential move to increase the tenure of expiry contracts, have also adversely impacted sector performance.
- **The AMC industry**, however, delivered strong performance, with QAAUM rising to INR72.1t, driven by record SIP inflows and sustained equity participation. SIP inflows reached an all-time high at INR273b in Jun’25, underscoring resilient retail participation.
- **Wealth managers** remain optimistic about sustaining flow momentum, with yields expected to remain broadly stable in the near term. We continue to closely monitor the impact of recent regulatory changes, as they have influenced stock price movements and financial performance. **Preferred Buys:** Nuvama, HDFC AMC, and ABSL AMC.

Insurance: Life insurance poised for stronger growth in 2HFY26

- **The life insurance** industry witnessed muted growth in 1QFY26, with ULIP momentum slowing on a high base. Private players drove ~10% YoY APE growth, compared to muted ~2% for LIC. A favorable shift in the product mix towards traditional products boosted VNB margins across players, supported by higher ticket-size products, better persistency, and improved rider attachment.

- HDFCLIFE, SBILIFE, and MAXLIFE reported strong APE growth with margin expansion, while IPRU saw a decline in APE despite margin gains. Surrender charges implemented from Oct'24 impacted 2HFY25 growth. However, with GST benefits and a favorable base, 2HFY26 is expected to see strong growth for life insurance.
- **General insurers** reported subdued growth, with a soft recovery in the motor segment and the health segment impacted by accounting changes (1/n regulations). Pricing actions emerged as a key lever to protect margins, with STARHEAL and NIVABUPA implementing price hikes to counter medical inflation. ICICIGI gained market share in retail health while maintaining discipline in motor, although health claims ratios remained elevated.
- NEP growth was healthy for ICICIGI/STARHEAL/NIVABUPA at 14%/12%/20%. However, sustained margin expansion will hinge on continued pricing adjustments and better claims experience. The abolition of GST on insurance products, in the absence of input tax credit, may adversely impact sector profitability. Additionally, while GST rate cuts may boost vehicle sales, the reduction in vehicle prices could adversely impact motor premium growth.

MOFSL BFSI picks 3.0: Remain constructive on the sector; earnings turnaround and reasonable valuations to drive performance

- From our bias being tilted toward NBFCs and non-lending financials in the earlier editions of this note, we are incrementally taking a more balanced view as we expect sector performance to improve with an impending recovery in earnings. Additionally, management commentary is turning constructive, which, coupled with a demand pickup driven by the GST rate cut and potential tariff resolutions following resumed negotiations, is likely to support investor sentiment.
- **Banks:** We continue to prefer large cap banks as their valuations appear reasonable given the earnings outlook. These banks stand out due to their strong balance sheets, healthy PCR, and relatively better growth prospects, which are expected to enable a steady earnings trajectory. We estimate private banks' earnings to post ~20% CAGR over FY26-28, while PSBs are expected to post a 14% CAGR over the same period. **ICICIBC, HDFCB, and SBIN are our top large cap picks. In mid-size banks, we prefer AUBANK.**
- **NBFCs: Vehicle financiers** are expected to benefit from GST cuts, although asset quality will remain under close watch in the near term. **SHFL remains our preferred pick** in this segment. **Large HFC:** We **maintain our preference for PNBHF** as we continue to like the franchise and believe that the stock has corrected significantly post the sudden CEO resignation. We expect the company to deliver steady growth and margins, led by a change in the product mix. **We also like Aavas Financiers** as with the new Promoter CVC Capital Partners in the driver's seat, it is working closely with the senior management of Aavas to front-end the branch expansions and expand in newer Southern States in India (where affordable housing business has traditionally been strong). With the digital transformation now complete, we expect Aavas to now embark on a stronger AUM growth trajectory. NIM will improve during the course of FY26 because of the decline in its CoB. At current valuations of 2.3x FY27E P/BV, we

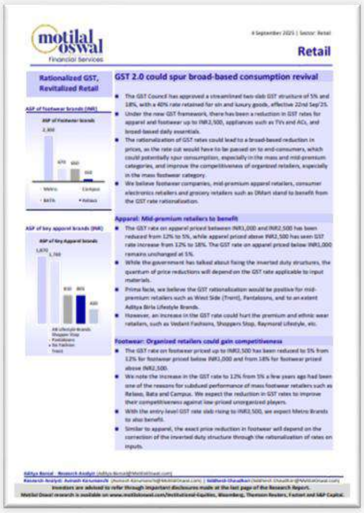
believe that there is very little downside risk in Aavas. **Diversified:** We **continue to prefer AB Capital (due to its steady execution across all its businesses) and LTFH,** as receding sectoral pain in MFIs is expected to drive improved growth and profitability.

- **Life & General Insurance:** We like **Max Financials** given its (1) above-industry growth trajectory, (2) robust agency channel, at a time when the broader industry is pivoting towards agency-led distribution and (3) higher share of non-par products, which should prove favorable in a declining interest rate environment. Additionally, a favorable outcome on the proposed reverse merger could serve as a further tailwind for the stock. Among general insurers, we prefer **Niva Bupa** for its diversified distribution network and strong management team.
- **Capital Markets:** We prefer **Aditya Birla AMC** for its strong fund performance and reasonable valuations. We also continue to like HDFC AMC as we maintain our structurally positive view on the AMC space. **NUVAMA** remains our preferred pick in the wealth management space, given our expectation of improved profitability in medium term though Jane street ban could impact near term volumes. **CAMS** remains our preferred pick amongst the intermediaries and we have added this to our MOSL BFSI picks.

MOFSL BFSI picks 3.0: Preferred ideas from our coverage of ~70 BFSI names

MOFSL BFSI picks	Segment
ICICI Bank	Private Bank
HDFCB	Private Bank
SBIN	PSU Bank
AU SFB	Small Finance banks
Shriram Finance	Vehicle Financiers
PNBHF	Housing Finance
Aavas Financiers	Housing Finance
LTFH	Diversified
AB Capital	Diversified
Max Financial	Life insurance
HDFC Life	Life insurance
Niva Bupa	General insurance
Aditya Birla AMC	AMCs
HDFC AMC	AMCs
CAMS	Intermediaries
Nuvama	Wealth management

Source: MOFSL



Apparel and Footwear channel checks

Apparel gaining momentum, while Footwear awaiting GST cut. Value Retail sustained demand momentum

Seasonality weighs on sales, but festive/GST tailwinds building optimism

The retail environment remained muted during the Jul-Aug'25 period, with heavy rains dampening footfalls across categories. Mall footfalls held steadier than high streets, as malls are increasingly preferred over high-street locations, offering greater convenience and enhanced customer experience. Online platforms continue to gain share, supported by wider assortments and discounting, while aggressive offline expansion in the same micro-markets has led to some cannibalization of sales. Despite prevailing headwinds, store managers indicated a demand uptick in Jul-Aug'25, supported by a successful EOSS, which eventually flattened. They anticipate a strong recovery starting late Sep'25 to Dec'25, driven by GST cuts, festivals and weddings. Repeat customers now account for 30-50% of sales across brands, reflecting growing loyalty as footfalls decline.

Branded apparel shows improving momentum in formal wear amid loyalty-led growth

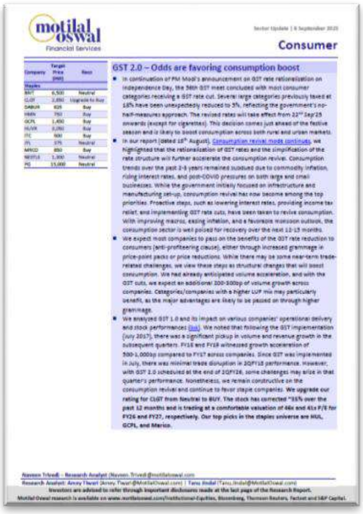
Apparel performance was mixed across brands and formats. Premium brands like Louis Philippe (ABLBL brand) are seeing stronger traction, with high-street stores outperforming malls (on productivity) despite lower traffic. Jul'25 was a strong month for branded apparel retailers, aided by EOSS, which drove healthy traction and strong YoY growth. Aug'25 saw some moderation after EOSS, though demand was better YoY. Sep'25 is expected to be softer due to the Shradh (inauspicious) period, but store managers remain optimistic on footfall and demand recovery with the early onset of the festive season. Overall, **mid- to high-single digit LTL growth** is anticipated for branded apparel, with premium formats performing better and higher repeat purchases reflecting strong brand loyalty.

Footwear demand remains subdued, though GST cuts and festive season may aid revival

Footwear companies continue to face a prolonged demand slowdown, now persisting for over two years across brands and formats. Jul-Aug'25 performance was further impacted by heavy rains and sales cannibalization from multiple store openings within the same micro-market, leading to fragmented demand. Bata remained the most impacted due to internal structural challenges such as staff rationalization, reduced focus on core categories, and a diluted brand strategy with no clear priority. While sneakers are gaining traction for Bata, the decline in core remains a structural challenge. Metro and Mochi are experiencing store sales cannibalization, keeping company-level sales stable but likely pressuring profitability due to higher overheads. High-street formats continue to outperform malls on productivity, supported by repeat sales and impulse buying, but overall market momentum remains subdued. Store managers sounded cautiously optimistic that the recent GST rate cut and the early onset of the festive season will help lift demand. Yet again we expect a subdued quarter with **a decline or low-single**-digit LTL growth.

Sustained demand momentum for value fashion retailers; muted LTL growth

Value fashion continues to witness sustained demand momentum; however, LTL growth is under pressure due to cannibalization from nearby own-brand stores and rising competitive intensity. Brands like Zudio, which are facing cannibalization from their own store expansion, are attempting to boost LTL by increasing AOV through cross-selling and up-selling initiatives. Cost optimization measures, including staff rationalization, are being implemented to maintain store profitability. The Intune store that we visited is consistently delivering a robust performance, with store-level LTL growth and a high proportion of repeat customers. The new format from Trent, Burnt Toast, which focuses on the Box Fit collection, is yet to gain traction as per the company’s expectations. Overall footfalls in the value fashion space remain stable, with the primary challenge arising from intensified competition and aggressive expansion impacting sales of older stores.


Consumer

GST 2.0 – Odds are favoring consumption boost

Channel checks – Proactive moves by FMCG players

GST 2.0: Protecting shelf space and reducing channel disruption

Following up on our earlier report, GST 2.0 - Odds are favoring consumption boost, we interacted with various channel partners of FMCG companies to assess their preparedness for the upcoming implementation of GST 2.0. Our checks suggest that leading players such as HUL, P&G, and Colgate are proactively offering trade schemes to distributors and retailers before the effective GST cut (22nd September). These measures aim to encourage stocking ahead of the transition, avoid abrupt restocking at the deadline, and maintain a steady shelf presence. We believe such proactive steps are not only meant to ensure smooth inventory transition but also to strengthen competitive positioning in trade, protect shelf presence, and drive share gains during the festive season.

Channel partners highlighted that companies are taking a two-pronged approach: 1) offering upfront trade schemes to encourage stocking ahead of the transition, and 2) communicating only revised MRPs, which will be applicable post 22nd September. Companies are also working to liquidate existing inventory through targeted trade offers, thereby preventing a build-up of old stock and ensuring that retailers are incentivized to pass on the benefits quickly to end-consumers. In categories dominated by price packs (LUPs), most companies will take grammage increases, but this will largely be implemented from 22nd September onwards, as packaging changes will be required.

Positive trade sentiments on GST 2.0

Trade partners are positive on the GST cut and view it as a big move by the government. They expect the tax cut to support a recovery in consumption, especially after a prolonged period of subdued demand. Trade margins are unlikely to change as companies intend to fully pass on the benefits to consumers. With many large categories moving into the 5% GST slab, system leakages are expected to decline significantly, thereby improving market efficiency. Trade partners also expect the lower tax structure to accelerate the shift from unbranded and regional players to organized, branded players, as the compliance burden eases and price differentials narrow.

ITC transition support

Companies are also working closely with trade partners to ensure a seamless transition of ITC. Retailers and distributors have been assured that ITC will remain fully available on inventory purchased at higher pre-GST rates but sold after the rate cut. Companies like L’Oréal and Himalaya have explicitly communicated that existing stock bought before 22nd September will continue to be eligible for full ITC claims, thereby reducing the risk of trade destocking. This alignment helps prevent supply-chain disruption, ensures that trade partners do not face financial losses on older stock, and encourages normal procurement ahead of the transition. However, a few distributors also indicated that they may avoid making additional purchases to benefit from the scheme’s advantages, citing concerns around working capital pressure and being tied up in ITC claims.

Company-wise initiatives

FMCG companies are adopting differentiated strategies to pass on GST benefits while minimizing disruption in trade (Exhibit 1). **HUL** has announced price cuts across categories such as soaps, shampoos, toothpaste, and foods, alongside earlier trade schemes ('Retailer Bonanza') to clear pre-GST inventory and incentivize retailers (Exhibit 2). **Colgate** is running an offer under the 'Dhanvarsha Landing' scheme from 11th to 21st Sep'25, effectively passing on the GST rate cut benefits to channel partners. (Exhibit 3). **P&G** has introduced a 'GST Special Offer' with additional trade discounts on categories like hair care, oral care, and baby care, complementing broader price reductions (Exhibit 4). **L'Oréal India** is aligning trade invoicing with the effective date, ensuring invoices before 21st September carry the old rate and those on or after 22nd September reflect new GST rates. **Britannia has not revised its MRP and landing rates yet, but is offering an additional 5% offer on orders at both wholesaler and retailer levels**. **Himalaya Wellness** has notified trade partners of rate reductions across baby care and personal care products, while assuring continuity of trade incentives on unaffected categories. These moves are designed not just to ensure a smooth inventory transition but also to protect shelf space and drive share gains during the festive season.

KTAs from channel check feedback

Company	Key categories that will benefit from GST rate cut	Actions undertaken by the company
HUL	❖ Soaps, talcum powder, shampoo, hair oil, ice cream, toothpaste, sauces/ketchup, jams	❖ MT-focused soap bundle packs have been activated with revised GST rates, effective from 11th Sep'25. ❖ In GT, HUL is offering ~4% additional discounts on soaps. However, for SKUs below INR20, no incremental schemes are currently running. Similarly, for toothpaste, there is no additional offer on SKUs below INR20, while packs priced above INR20 are receiving ~8% discounts. ❖ Talcum powders have an 11% discounting scheme running. ❖ HUL is getting aggressive on shampoos and offering ~20% discount on its 100-200ml packs, while offering a 10% discount on its 600ml bottles.
Colgate	❖ Toothpaste, toothbrush	❖ CLGT is running a promotional offer under its 'Dhanvarsha' scheme from 11th to 21st Sep'25, effectively passing on the benefits of the recent GST rate cuts.
P&G	❖ Toothbrush, shampoos, balm	❖ P&G is offering a 10% additional offer on categories where the GST rate has been reduced from 18% to 5%, and a 5% additional offer on categories with a GST reduction from 12% to 5%. The offer is valid from 10th Sept 2025 to 21st Sep'25. We do note that there has been no MRP revision; only additional discounts have been offered.
Britannia	❖ Biscuits, cake, bread, dairy products	❖ BRIT has not revised its MRP and landing rates yet, but is offering an additional 5% offer on orders at both wholesaler and retailer levels.
Nestle	❖ Instant noodles, pasta, dairy products, chocolates, coffee, sauces/ketchup	❖ No action taken yet.
Emami	❖ Hair oil, ayurvedic supplements (balm, Chyawanprash), Boroplus, shampoo	❖ No action taken yet.
Dabur	❖ Toothpaste, toothbrush, ayurvedic supplements, honey, hair oil	❖ No action taken yet.
L'Oréal India	❖ Hair care	❖ The old GST rates will continue to apply until 21st September; invoices dated on or after 22nd September will reflect the revised 5% GST rate on select products. This approach ensures a clean cut-off for invoicing, facilitates smooth ITC claims, and avoids trade confusion.
Parle Products	❖ Biscuits, cake, bread, snacks	❖ Direct price cuts for large packs; grammage will increase for low-unit packs.
Bikaji Foods	❖ Snacks	❖ Grammage will increase in impulse packs; price cuts for large packs.
Himalaya Wellness	❖ Baby care, personal care	❖ The company announced a GST reduction in baby care and personal care, along with an assurance of full ITC on old stock. This move is aimed at ensuring a smooth inventory transition, protecting trade relationships, and reinforcing trust.

Source - MOFSL

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- Remain focused on scaling up non-aero business
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