

Inflation cycle vs. earnings vs. stocks

Inflation and consumption are apparently inverse to each other. However, the inflation level and the length of inflation periods are equally critical. Short-lived mild inflation can be positive as it brings a better value proposition. Harsh inflation impacts margins the most but provides share gain opportunities, at least for the top players. In this report, we are highlighting the historical cycles of inflation and their impact on the operating performance of companies and stock prices.

Case Study 1 – Phase of 2011-2014

- **Inflation cycle:** During 2011-2014, there was a long inflationary cycle owing to several geopolitical issues (50% increase in crude prices during FY10-FY12), resulting in high consumer inflation.
- **Learnings:** Staple companies in India were in a consolidation phase (distribution, marketing, etc. driving share gains), and it helped the top players. Small regional and unorganized players suffered, resulting in better share gain opportunities for the mainstream category leaders. During FY11-FY12, we noted volume growth acceleration instead of growth deceleration, aided by market share gains. Some companies even delivered superior EBITDA growth with margin expansion. Several consumer stocks have delivered strong returns, with our coverage stocks clocking an average return of >25% CAGR in FY10-FY12.

Case Study 2 – Phase of 2022-2023

- **Inflation cycle** - The inflation cycle during 2022-2023 was quite steep, with 100% increase in crude prices, as the global economy was coming out of the disruptions caused by the Covid pandemic. In 2022, inflation was high in agri and non-agri commodities, while most crude-driven commodities saw steep inflation in 2023.
- **Learnings:** After 2018-2019, staple companies had started facing competition from new-age companies. Unlike the previous phases, this time the competition was more pointed, with differentiated products, premium pricing, innovative marketing, social media influencers, etc. Top companies that were enjoying the consolidation phase started seeing more fragmentation. Protecting market share was more important than gaining share, which resulted in growth moderation. We noted mainstream staple companies maintained their volume growth trend in FY22, though there was a steep growth deceleration in FY23. Price hikes were gradual, leading to GM pressure. Select consumer stocks have delivered positive stock returns, with our coverage stocks clocking an average return of only 5% CAGR in FY21-23.

Current trends, FY27 outlook and sensitivity

- **Inflation cycle:** Given the ongoing geopolitical challenges due to Israel-US-Iran war, crude prices have skyrocketed. Brent crude is up 70% YoY and 40% QoQ in Apr'26. As a result, companies are facing high pricing pressure, along with the unavailability of key raw materials. If this inflation sustains, it could have cascading effects on many other commodities.

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- **Pricing actions implemented but insufficient if crude stays above USD85:** Our checks suggest that many companies (FMCG, paints) have increased prices by mid- to high-single digits. However, if crude remains at elevated levels, this price hike may not be sufficient to pass on raw material pressure. Thereby, companies will either continue to hike prices or take a hit in the short period. We have shared a scenario analysis with various levels of crude-related inflation.
- **Our view:** For the consumer sector, 2026 began on an optimistic note for all consumption categories, with Jan-Feb witnessing sequential improvements from 3Q. Growth was backed by improving macros, festivities, and stable RM prices. Thus, 2026 was likely to see a consumption recovery year. However, ongoing geopolitical tensions are expected to deteriorate macro drivers as they will keep inflation high. In our scenario analysis, we mention that companies are taking price hikes that can cover crude price inflation up to USD85. Recent price hikes (mid-high single digit) will largely erase the GST 2.0 benefits (average price/gm cuts were 7-8%).
- Recent stock corrections largely capture near-term raw material pressure. However, if crude remains at USD85 for an extended period, then more pricing actions will be required. Subsequently, it will start hurting the volume growth outlook. The situation can be favorable if crude falls below USD85 and these companies delay in passing benefits (usual case).
- We remain watchful of the current RM price volatility, and the levels they set will be a key monitorable. The companies with higher exposure to international markets (MENA) will be more affected than others. Near-term growth and margins are key monitorable. We cut our estimates in the 4QFY26 preview by 3-5% ([link](#)) as we build in persistent inflationary pressure in 1HFY27. **Our top picks are Titan, Radico, Zydus Wellness, Britannia, and Marico.**



Exhibit 1: Our coverage universe valuation matrix

Company	TP (INR)	Reco	EPS (INR)			EPS Gr. YoY (%)			P/E (x)			EV/EBITDA (x)			RoE (%)	Div. (%)
			FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY27E	FY26E
Staples																
BRIT	7,000	Buy	107.3	122.3	139.0	17	14	14	53	47	41	37	32	29	52.7	1.4
CLGT	2,150	Buy	49.9	54.8	60.5	(3)	10	10	43	39	35	30	27	25	94.5	2.5
DABUR	465	Neutral	10.8	11.8	12.8	6	10	8	41	37	34	29	26	24	17.9	2.1
HMN	525	Buy	19.7	19.8	21.7	(3)	0	10	23	23	20	20	17	15	28.0	2.6
GCPL	1,300	Buy	20.5	24.3	29.0	11	18	19	54	45	38	35	31	27	19.7	2.0
HUVR	2,600	Buy	44.0	47.7	52.6	(1)	9	10	51	47	43	34	32	29	22.3	1.9
ITC	335	Neutral	16.5	16.3	17.6	4	(1)	8	19	19	17	13	13	12	28.0	4.9
JYL	225	Neutral	9.6	9.9	11.3	(6)	4	13	25	24	22	18	17	14	17.1	2.2
MRCO	900	Buy	13.7	16.1	18.1	10	18	12	56	47	42	41	33	29	48.4	1.6
NESTLE	1,350	Neutral	16.7	19.7	22.3	5	18	13	77	65	58	48	41	36	80.4	1.2
PG	11,000	Neutral	274.1	295.9	323.2	40	8	9	36	34	31	27	25	22	95.1	2.2
Zyodus	575	Buy	11.0	15.9	19.6	2	44	23	45	32	26	36	23	19	8.4	0.3
Paints																
APNT	2,450	Neutral	46.6	50.1	57.2	11	7	14	54	50	44	36	33	29	21.7	1.6
INDIGOPN	1,100	Buy	33.6	37.6	45.9	13	12	22	25	22	18	14	12	10	14.4	1.0
PIDI	1,400	Neutral	24.0	26.3	30.3	16	9	15	58	53	46	40	36	31	22.9	0.8
Liquor																
UNSP	1,400	Neutral	22.7	25.1	27.9	15	11	11	58	52	47	39	35	31	16.0	0.9
RDCK	3,850	Buy	45.1	56.6	69.7	75	26	23	74	59	48	43	36	30	20.0	0.3
UBBL	1,650	Neutral	16.4	23.7	32.9	(7)	44	39	93	64	46	45	34	27	13.2	0.4
Innerwear																
PAGE	42,500	Buy	704.6	774.7	862.7	8	10	11	54	50	45	37	33	30	43.2	1.2
QSR																
UFBL	240	Neutral	-11.6	-13.1	-10.3	Loss	Loss	Loss	NM	NM	NM	6	6	5	-19.3	0.0
DEVYANI	155	Buy	-0.1	1.0	1.8	PL	LP	87	NM	112	60	20	16	13	22.0	0.0
JUBI	500	Neutral	5.5	7.5	9.6	54	37	27	83	61	48	18	16	14	25.0	0.4
SAPPHIRE	200	Buy	-0.1	1.4	2.4	PL	LP	75	NM	126	72	11	9	8	3.1	0.0
WESTLIFE	525	Neutral	-0.9	1.2	4.1	PL	LP	234	NM	376	113	26	22	19	3.1	0.0
Jewelry																
KALYANKJ	550	Buy	12.9	16.2	19.2	65	25	19	32	26	22	20	16	13	26.0	0.7
PNG	750	Buy	33.2	33.2	37.0	91	(0)	11	20	20	18	15	14	13	20.2	0.0
SESCO	325	Neutral	31.1	20.9	22.8	152	(33)	9	10	16	14	8	10	9	13.1	0.5
TTAN	5,200	Buy	60.6	72.9	87.5	43	20	20	75	62	52	47	40	33	36.7	0.4

Inflation cycle and performance of consumer companies

- Given the geopolitical challenges, key raw material prices (particularly crude) have started seeing high inflationary trends. The situation is quite dynamic and trends are volatile accordingly. However, to understand its potential impact, we are trying to analyze historical inflation cycles and their effects on consumer categories and companies.
- We noted broader inflation may impact consumption in the medium term, though historically it aided FMCG companies' earnings momentum. Below we created case studies to understand each trend more precisely.

Case Study 1 - Phase of 2011-2014

- **Inflation Cycle:** During 2011-2014, there was a long inflationary cycle owing to several geopolitical issues (50% increase in crude prices during FY10-FY12), resulting in high consumer inflation across crude, palm oil, TiO₂, and several agri commodities.
- **Learnings:** Staple companies in India were in a consolidation phase (distribution, marketing, etc. driving share gains), and it helped the top players. Small regional and unorganized players suffered, resulting in better share gain opportunities for the mainstream category leaders. During FY11-FY12, we noted volume growth acceleration instead of growth deceleration, aided by market share gains. Some companies even delivered superior EBITDA growth with margin expansion. Several consumer stocks have delivered strong returns, with our coverage stocks clocking an average return of >25% CAGR in FY10-FY12.

Exhibit 2: Learnings from pas: Geopolitical issues/Arab Spring – High inflation cycle 2011-2014

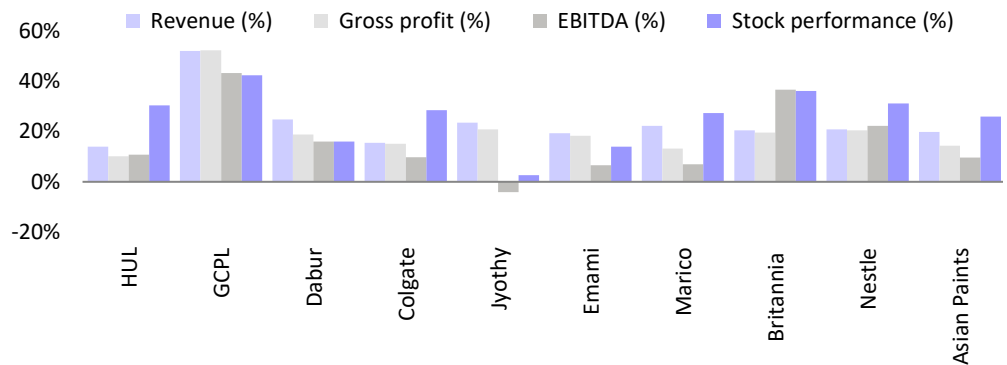
Commodities	Unit	FY10	FY11	FY12	FY13	FY14
Brent Crude	\$/barrel	69	86	112	107	105
Titanium Dioxide	INR/kg	150	173	254	258	248
Soda Ash	INR/50kg	913	927	997	1,126	1,169
HDPE	INR/10kg	1,287	1,283	1,385	1,416	1,489
Wheat	INR/quintal	1,253	1,277	1,165	1,456	1,622
Barley	INR/quintal	893	1,184	1,249	1,347	1,344
Coconut Oil	INR/quintal	5,648	6,317	7,687	6,415	7,280
Malaysia Palm oil	MYR/MT	2,414	3,007	3,169	2,652	2,464
USD/INR	INR	47	46	48	57	60

YoY inflation (%)	Unit	FY10	FY11	FY12	FY13	FY14
Brent Crude	\$/barrel	-16	23	31	-4	-2
Titanium Dioxide	INR/kg	-2	15	47	2	-4
Soda Ash	INR/50kg	-16	2	8	13	4
HDPE	INR/10kg	-6	0	8	2	5
Wheat	INR/quintal	12	2	-9	25	11
Barley	INR/quintel	-18	33	5	8	0
Coconut Oil	INR/quintel	7	12	22	-17	13
Malaysia Palm oil	MYR/MT	-3	25	5	-16	-7
USD/INR	INR	3	-2	4	19	5
CPI (%)	Index				10	9

Exhibit 3: Operating performance – Volume growth was strong in FY11/FY12 despite high inflation driven by market share gains

Companies	Revenue growth (%)					Volume growth (%)					GP growth (%)					EBITDA growth (%)				
	FY10	FY11	FY12	FY13	FY14	FY10	FY11	FY12	FY13	FY14	FY10	FY11	FY12	FY13	FY14	FY10	FY11	FY12	FY13	FY14
HUL	8	11	17	15	8	1	12	9	7	4	15	8	12	18	11	19	-5	29	21	13
GCPL	17	4	21	20	16	8	-4	16	9	3	74	5	28	35	17	69	8	14	13	17
Dabur	21	20	30	16	15	14	11	8	11	9	28	18	20	20	16	33	18	14	17	16
Colgate	15	13	18	17	13	14	13	12	11	9	23	14	16	16	14	53	7	12	14	1
Jyothy	65	4	47	21	20	43	-10	11	21	15	70	8	36	27	21	88	-19	13	54	21
Emami	36	22	17	17	7	33	18	12	15	1	33	22	15	10	16	90	3	10	22	30
Marico	11	18	27	16	2	13	11	14	16	6	27	8	19	33	-4	30	9	5	46	19
Britannia	10	22	19	13	12	2	15	10	10	2	4	16	23	19	18	-34	42	31	35	49
Nestle	19	22	20	11	9	15	17	8	0	1	21	19	22	16	9	20	20	24	18	9
APNT	22	16	24	13	16	16	17	17	10	11	40	11	18	17	17	83	8	11	13	12
Average	14	15	21	15	11	8	13	11	8	5	23	12	17	19	12	32	6	20	20	14

Exhibit 4: Revenue, GP, EBITDA and market cap CAGR FY10-FY12



During FY10-12, several consumer stocks have delivered strong returns, with our coverage stocks clocking an average return of >25% CAGR.

Exhibit 5: Operational performance and market cap FY10-12 CAGR

FY10-12 CAGR (%)	Revenue	Gross Profit	EBITDA	Mcap
HUL	14%	10%	11%	30%
GCPL	52%	52%	43%	42%
Dabur	25%	19%	16%	16%
Colgate	16%	15%	10%	29%
Jyothy	24%	21%	-4%	3%
Emami	19%	18%	7%	14%
Marico	22%	13%	7%	27%
Britannia	21%	20%	37%	36%
Nestle	21%	20%	22%	31%
APNT	20%	14%	10%	26%

Case Study 2 - Phase 2022-2023

- Inflation Cycle:** The inflation cycle during 2022-2023 was quite steep, with 100% increase in crude prices, as the global economy was coming out of the disruptions caused by the Covid pandemic. In 2022, inflation was high in agri and non-agri commodities, while most crude-driven commodities saw steep inflation in 2023.
- Learnings:** After 2018-2019, staple companies had started facing competition from new-age companies. Unlike the previous phases, this time the competition was more pointed, with differentiated products, premium pricing, innovative marketing, social media influencers, etc. Top companies that were enjoying the consolidation phase started seeing more fragmentation. Protecting market share was more important than gaining share, which resulted in growth moderation. We noted mainstream staple companies maintained their volume growth trend in FY22, though there was a steep growth deceleration in FY23. Price hikes were gradual, leading to GM pressure. Select consumer stocks have delivered positive stock returns, with our coverage stocks clocking an average return of only 5% CAGR in FY21-23.

Exhibit 6: Learnings from past: Russia-Ukraine war – High inflation cycle FY22/FY23

Commodities	Units	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	FY21	FY22	FY23	FY24
Brent Crude	\$/barrel	79	102	114	101	89	81	45	81	96	83
Titanium Dioxide	INR/kg	426	446	447	400	383	398	260	372	407	368
Soda Ash	INR/50kg	1,455	1,775	1,991	2,067	2,050	1,989	1,299	1,419	2,024	1,861
HDPE	INR/10kg	1,314	1,365	1,487	1,191	1,094	1,143	987	1,279	1,228	1,040
Wheat	INR/quintal	2,040	2,105	2,157	2,346	2,610	2,503	1,751	1,993	2,404	2,488
Barley	INR/quintal	2,348	2,517	3,176	3,071	3,138	2,715	1,462	2,204	3,024	2,029
Milk	India WPI Milk	157	159	164	165	168	174	153	157	168	180
Coconut Oil	INR/quintal	20,969	21,606	19,784	20,387	17,859	13,679	16,016	20,354	17,952	12,279
Malaysia Palm oil	MYR/MT	5,171	6,183	6,453	3,971	3,931	4,017	3,098	4,976	4,593	3,830
USD/INR	INR							74	75	80	83
YoY inflation (%)	Unit	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	FY21	FY22	FY23	FY24
Brent Crude	\$/barrel	76%	67%	67%	38%	12%	-21%	-27%	78%	19%	-13%
Titanium Dioxide	INR/kg	62%	63%	55%	22%	-10%	-11%	0%	43%	10%	-10%
Soda Ash	INR/50kg	17%	47%	65%	65%	41%	12%	-11%	9%	43%	-8%
HDPE	INR/10kg	26%	10%	21%	-1%	-17%	-16%	7%	30%	-4%	-15%
Wheat	INR/quintal	22%	18%	20%	23%	28%	19%	-16%	14%	21%	4%
Barley	INR/quintal	64%	66%	67%	49%	34%	8%	-26%	51%	37%	-33%
Milk	India WPI Milk	2%	3%	6%	5%	7%	10%	5%	2%	7%	7%
Coconut Oil	INR/quintal	27%	14%	2%	5%	-15%	-37%	-6%	27%	-12%	-32%
Malaysia Palm oil	MYR/MT	53%	57%	54%	-11%	-24%	-35%	35%	61%	-8%	-17%
USD/INR	INR							5%	0%	8%	3%
CPI	Index	5%	6%	7%	7%	6%	6%	5%	6%	6%	5%

Exhibit 7: Operating performance – Volume growth was stable in FY22/FY23 despite high inflation

Companies name	Revenue growth (%)				Volume growth (%)				Gross profit growth (%)				EBITDA growth (%)			
	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY24
HUL	7%	12%	16%	2%	3%	4%	5%	2%	6%	7%	8%	11%	6%	11%	10%	4%
GCPL	14%	11%	10%	10%	10%	12%	1%	6%	8%	2%	7%	18%	14%	4%	8%	20%
Dabur	15%	15%	5%	9%	12%	12%	1%	3%	10%	10%	0%	13%	13%	12%	-4%	11%
Colgate	7%	5%	2%	9%	4%	2%	-2%	1%	12%	4%	0%	15%	26%	4%	-1%	23%
Jyothy	12%	15%	13%	11%	14%	10%	2%	9%	11%	2%	15%	29%	25%	-21%	27%	52%
Emami	9%	11%	7%	5%	12%	9%	-4%	2%	10%	8%	4%	10%	28%	8%	-9%	10%
Marico	9%	18%	0%	-3%	9%	7%	2%	3%	6%	6%	11%	11%	5%	1%	10%	2%
Britannia	13%	8%	15%	3%	12%	3%	2%	3%	18%	-2%	25%	8%	36%	-12%	29%	12%
Nestle	8%	10%	15%	15%	2%	12%	5%	5%	7%	9%	9%	20%	11%	10%	6%	24%
APNT	7%	34%	19%	3%	13%	31%	14%	9%	9%	12%	23%	16%	17%	-1%	30%	21%
Average	9%	15%	14%	5%	7%	11%	5%	4%	8%	7%	11%	14%	13%	5%	12%	13%

During FY21-23, select consumer stocks have delivered positive returns, with our coverage stocks clocking an average return of 5% CAGR.

Exhibit 8: Revenue, GP, EBITDA and market cap CAGR FY21-FY23

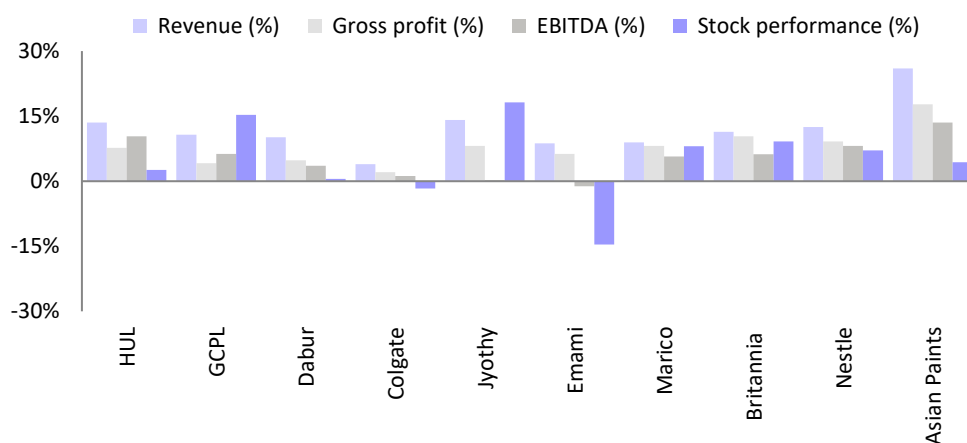


Exhibit 9: Operational performance and market cap FY21-23 CAGR

FY10-12 CAGR (%)	Revenue	Gross Profit	EBITDA	Mcap
HUL	13%	8%	10%	3%
GCPL	11%	4%	6%	15%
Dabur	10%	5%	4%	1%
Colgate	4%	2%	1%	-2%
Jyothy	14%	8%	0%	18%
Emami	9%	6%	-1%	-15%
Marico	9%	8%	6%	8%
Britannia	11%	10%	6%	9%
Nestle	13%	9%	8%	7%
APNT	26%	18%	14%	4%

FY27 outlook; RM inflation and pricing response

- **Inflation cycle:** Given the ongoing geopolitical challenges due to the Israel-US-Iran war, crude prices have skyrocketed. Brent crude is up 70% YoY and 40% QoQ in Apr'26. As a result, companies are facing high pricing pressure, along with the unavailability of key raw materials. If this inflation sustains, it could have cascading effects on many other commodities.

Exhibit 10: RM basket inflation: Crude and its derivatives see inflation; agri commodity still benign

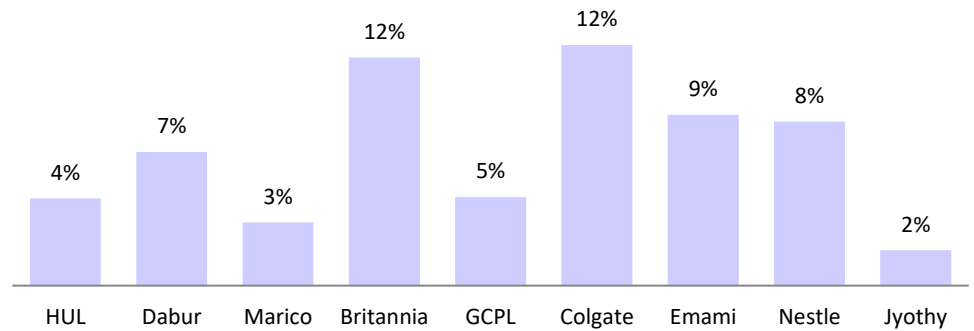
Commodities	Unit	1QFY26	2QFY26	3QFY26	4QFY26	Current Price	Current Price vs 4QFY26	Current Price vs 1QFY26
Brent Crude	\$/barrel	67	68	63	78	96	22%	43%
Titanium Dioxide	INR/kg	327	317	301	295	325	10%	-1%
Soda Ash	INR/50kg	1,600	1,565	1,525	1,587	2,000	26%	25%
HDPE	INR/10kg	928	946	871	1,026	1,600	56%	72%
Wheat	INR/quintal	2,630	2,732	2,643	2,553	2,400	-6%	-9%
Barley	INR/quintal	2,276	2,304	2,295	2,245	2,300	2%	1%
Milk	India WPI Milk	189	191	192	192	192	0%	2%
Coconut Oil	INR/quintal	23,131	32,223	32,095	32,960	35,500	8%	53%
Malaysia Palm oil	MYR/MT	4,071	4,275	4,164	4,174	4,423	6%	9%
USD/INR	INR	86	87	89	91	93	2%	9%
CPI (%)	Index	3%	2%	1%	2%			

- **GST cuts – “a saving grace”:** In order to boost consumption, the government reduced GST rates for several large consumer categories to lower the cost of living. The benefits of GST rate cuts were partially visible in 3QFY26 end, and the trend accelerated in 4QFY26. However, with inflation trending higher again, there is a possibility that prices may go back to pre-GST rate cut levels seen before Sep'25.

Exhibit 11: GST 2.0 – Category-wise GST rate revision and India revenue mix

GST rate Categories	Exiting Rate (%)	New Rate (%)	Tax Diff (%)	% mix of India revenue								
				HUL	Dabur	Marico	Britannia	GCPL	Colgate	Emami	Nestle	Jyothy
Soaps	18	5	13	17	0	0	0	35	0	0	0	8
Hair Oil	18	5	13	1	15	20	0	0	0	30	0	0
Shampoo	18	5	13	5	5	0	0	0	0	3	0	0
Toothpaste	18	5	13	3	18	0	0	0	80	0	0	0
Toothbrush	18	5	13	0	0	0	0	0	15	0	0	0
Chocolates	18	5	13	0	0	0	0	0	0	0	17	0
Biscuits	18	5	13	0	0	0	70	0	0	0	0	0
Cakes, Bakery	18	5	13	0	0	0	20	0	0	0	0	0
Coffee	18	5	13	2	0	0	0	0	0	0	10	0
Talc Powder	18	5	13	0	0	0	0	0	0	8	0	0
Butter	12	5	7	0	0	0	0	0	0	0	0	0
Cheese	12	5	7	0	0	0	0	0	0	0	0	0
Noodles	12	5	7	0	0	0	0	0	0	0	30	0
Fruit Juices	12	5	7	0	16	0	0	0	0	0	0	0
UHT Milk	12	0	12	0	0	0	0	0	0	0	6	0
Condensed milk	12	5	7	0	0	0	0	0	0	0	2	0
Nutrition	18	5	13	7	0	0	0	0	0	0	15	0
Balm	12	5	7	0	0	0	0	0	0	24	0	0
Antiseptic cream	12	5	7	0	0	0	0	0	0	20	0	0
Others - 18%	18	5	13	0	4	5	0	0	0	0	0	6
Others - 12%	12	5	7	0	4	0	0	0	0	5	0	0
Total				35	62	25	90	35	95	90	80	14

Exhibit 12: GST rate reduction led to average price/gm cuts of 6-7%



- Ground checks – What companies are doing right now:** Our recent channel checks across key FMCG players such as HUL, BRIT and Colgate suggest that companies have started taking calibrated pricing actions in response to heightened volatility in raw material prices. Currently, these price hikes appear selective in nature and are implemented across certain SKUs and regions only. This indicates the initial response of FMCG players to ongoing cost pressure.

Exhibit 13: HPC companies have started to hike prices, while no changes in prices by food companies

Company	On the ground feedback
HUVR	<ul style="list-style-type: none"> In soaps, the company has taken a price hike of 5-6% across Dove, Lux, Pears, Hamam, etc. as of mid-Apr'26. In detergents, there was a price hike of ~6% in the last week Mar'26 in Surf Excel (only powder); however, no pricing or grammage changes were witnessed in other brands. Prices of mass brands like Rin and Wheel remain unchanged. That said, in mass brands, the typical promotional schemes (~2%) run by the company have been curtailed for now. In dishwash (both bar and liquid), prices currently remain unchanged. Within tea, there has been a ~3% price hike in Apr'26 in select portfolio of Brooke Bond Red Label. Moreover, the trade partners expect some price hikes in Shampoos portfolio (bottle SKUs) in coming weeks.
Colgate	<ul style="list-style-type: none"> Colgate has started to see price hikes in the range of 3-5% in select SKUs. Trade partners expect further price hikes going ahead. They added that most GST 2.0 savings have been wiped off.
GCPL	<ul style="list-style-type: none"> GCPL took a price hike of 2-3% in soaps in Mar'26 and more is expected in Apr'26; Godrej Fab liquid detergent's 1Ltr pack of INR99 is reduced to 850ml.
Emami	<ul style="list-style-type: none"> 3-4% price hike taken in face wash and hair care
Jyothy labs	<ul style="list-style-type: none"> 3-4% price hike in detergents.
Britannia	<ul style="list-style-type: none"> No price change in any SKUs currently. After GST 2.0 (Sep'25 end) to Feb'26, Parle was undercutting BRIT in glucose segment (selling at INR9.5 vs. INR10 for BRIT) and taking market share from BRIT. Mar'26 onward, Parle revised its LUP pack pricing to INR10, similar to BRIT's. BRIT is currently not running any incremental promotional schemes.
Nestle India	<ul style="list-style-type: none"> No price change in any brands or SKUs.

Exhibit 14: Paints companies' pricing actions

Companies	Phases	w.e.f	Price hikes (%)	Products
Asian Paint	1.00	10 Apr'26	6-8%	❖ Emulsions, enamels, primers, and distempers
	2.00	21 Apr'26	6-8%	❖ Waterproofing, adhesives, and wood finishes
	3.00	5th May'26	3-5%	❖ Across product
Berger paints	1.00	25 Mar'26	2-3%	❖ Across product
	2.00	9 Apr'26	5-10%	❖ Across product
Indigo Paints	1.00	24 Mar'26	2-3%	❖ Across product
	2.00	1 st week of April	6-8%	❖ Across product

- Outlook:** The war situation is quite dynamic; thereby, the inflation level and the possible extension of the inflation cycle will be monitored. However, below we are sharing possible outcomes in different inflation cycles.

- Cost sensitivity:** We have assessed the cost sensitivity of staple companies by evaluating the impact of crude oil price movements on their raw material costs. Taking USD68.5/bbl (average of 1HFY26) as the base assumption, our analysis suggests that if crude prices sustain above USD85/bbl, companies would need to implement more price hikes to offset the incremental cost pressure. This is derived by mapping crude-linked raw material exposure across companies and estimating the required pricing action to protect margins.

Exhibit 15: HUL, Dabur, and JYL have higher dependence on crude in staples

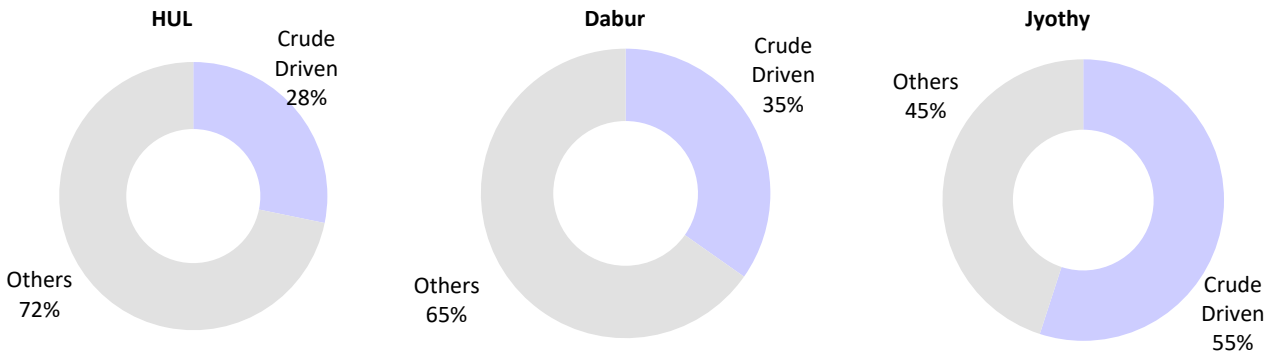


Exhibit 16: Nestle, Britannia and Marico have 15-20% of RMs linked to crude

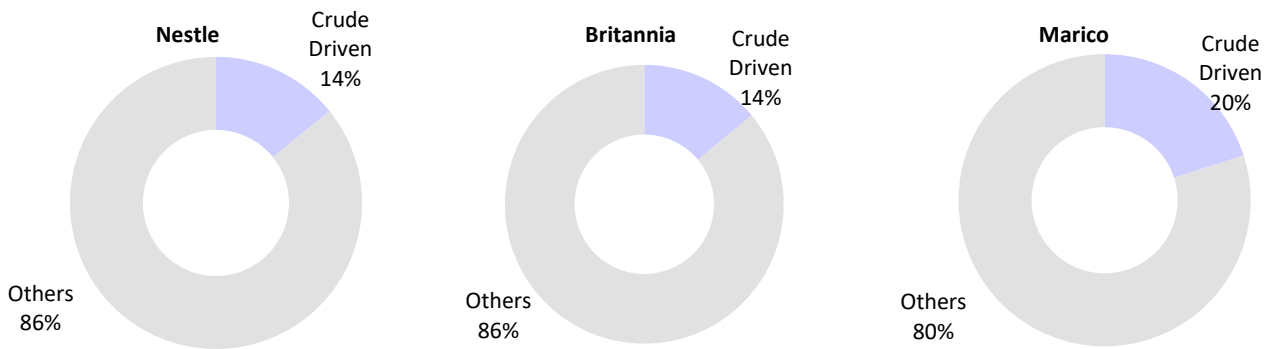


Exhibit 17: RM mix of Emami, Colgate and GCPL

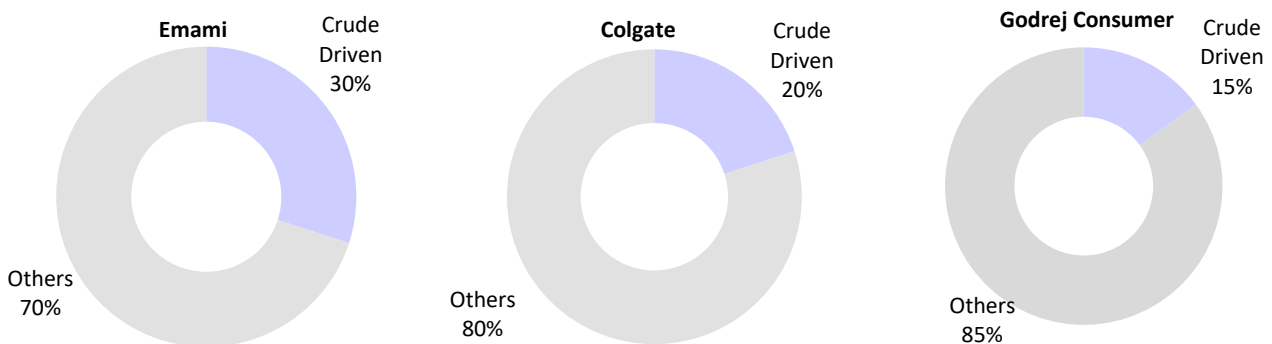


Exhibit 18: Price hike requirements; most price hikes look to cover crude price up to USD85 (%)

RM Sensitivity	Price hike requirement								
Crude Rate (USD)	70	75	80	85	90	95	100	105	110
YoY Inflation (%)	2%	9%	17%	24%	31%	39%	46%	53%	61%
General inflation (%)	3.5%	4.5%	5.5%	6.0%	7.0%	7.5%	8.0%	8.5%	9.0%
Dabur	2%	3%	5%	6%	8%	9%	11%	12%	13%
Marico	-2%	-1%	0%	0%	1%	2%	3%	4%	5%
HUL	2%	3%	5%	6%	7%	8%	9%	10%	12%
Nestle	2%	3%	3%	4%	5%	5%	6%	7%	7%
Britannia	3%	4%	5%	5%	6%	7%	8%	9%	9%
Colgate	1%	2%	2%	3%	4%	4%	5%	5%	6%
Emami	1%	2%	3%	3%	4%	5%	6%	6%	7%
Jyothy	2%	4%	6%	9%	11%	13%	16%	18%	20%
Godrej Consumer	2%	3%	4%	5%	5%	6%	7%	7%	8%
Zydus Wellness	1%	2%	2%	3%	3%	4%	4%	5%	5%
Asian Paints	2%	4%	6%	7%	9%	11%	13%	15%	16%
Average Increase (%)	2%	3%	4%	5%	6%	7%	8%	9%	10%

Source: Company, MOFSL

Exhibit 19: Scenarios: Current pricing actions impact at different crude level

Brent Crude	Inflation YoY (%)		Impact post current price hike	Beneficiaries
>\$100	>40%	Insufficient, negative	<ul style="list-style-type: none"> Current price hike looks insufficient if crude remains >USD100; more pricing actions will be required Price hike will be gradual; in the interim, it will lead to contraction in operating margin 	<ul style="list-style-type: none"> This scenario will be adverse for staple and paint companies; weak operating performance can impact stocks.
\$90-\$100	35%-40%	Insufficient, negative	<ul style="list-style-type: none"> Current price hike looks insufficient if crude remains >USD90, more pricing actions will be required Price hike will be gradual; in the interim, it will lead to a contraction in operating margin 	
\$85-\$90	25%-30%	Neutral	<ul style="list-style-type: none"> Most companies have increased prices by mid- to high-single digits. It should be largely sufficient if crude stays at USD80-90. Operating margin can be stable in this range. 	<ul style="list-style-type: none"> Scenario looks neutral for staple and paint companies given recent price hikes and stock corrections.
\$70-\$85	<20%	Positive	<ul style="list-style-type: none"> If crude falls below USD85, companies may slowly claw back price hikes. In the interim, these companies may deliver better value growth with margin expansion. 	<ul style="list-style-type: none"> This scenario can be positive for staple and paint companies; earnings upgrades possible.
<\$70	Flat to negative	Positive	<ul style="list-style-type: none"> If crude falls below USD70, companies may swiftly take back price hikes. In the interim, these companies may deliver better value growth with higher margin expansion. 	

Our view and valuations

- For the consumer sector, 2026 began on an optimistic note for all consumption categories, with Jan-Feb witnessing sequential improvements from 3Q. Growth was backed by improving macros, festivities, and stable RM prices. Thus, 2026 was likely to see a consumption recovery year. However, ongoing geopolitical tensions are expected to deteriorate macro drivers as they will keep inflation high. In our scenario analysis, we mention that companies are taking price hikes that can cover crude price inflation up to USD85. Recent price hikes (mid-high single digit) will largely erase the GST 2.0 benefits (average price/gm cuts were 7-8%).
- Recent stock corrections largely capture near-term raw material pressure. However, if crude remains at USD85 for an extended period, then more pricing actions will be required. Subsequently, it will start hurting the volume growth

outlook. The situation can be favorable if crude falls below USD85 and these companies delay in passing benefits (usual case).

- We remain watchful of the current RM price volatility, and the levels they set will be a key monitorable. The companies with higher exposure to international markets (MENA) will be more affected than others. Near-term growth and margins are key monitorables. We cut our estimates in the 4QFY26 preview by 3-5% ([link](#)) as we build in persistent inflationary pressure in 1HFY27. Our top picks are Titan, Radico, Zydus Wellness, Britannia, and Marico.

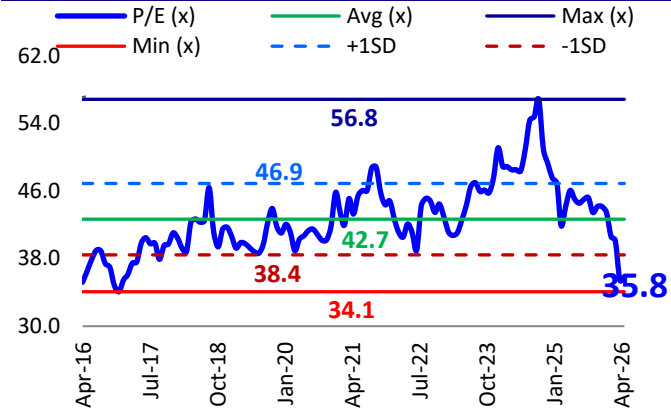
Exhibit 20: Current valuation vs. historical averages in our coverage universe

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
Consumer	35.8	38.9	42.7	45.2	-7.9	-16.0	-20.7
Consumer Ex ITC	42.8	38.9	52.7	56.3	10.1	-18.7	-23.9
Staples							
Britannia Inds.	44.2	40.3	48.8	49.9	9.8	-9.3	-11.3
Colgate-Palm.	34.5	35.4	41.6	43.6	-2.5	-17.1	-20.9
Dabur India	36.0	41.6	48.3	52.0	-13.5	-25.4	-30.7
Emami	21.0	23.7	29.2	28.7	-11.6	-28.0	-26.8
Godrej Consumer	43.0	42.4	49.2	54.4	1.5	-12.6	-20.9
Hind. Unilever	44.3	47.0	53.4	55.3	-5.8	-17.1	-19.8
ITC	18.5	23.6	22.6	22.2	-21.7	-18.0	-16.5
Jyothy Lab.	22.1	34.6	32.8	32.3	-36.3	-32.7	-31.7
L T Foods	16.7	8.1	11.3	12.4	105.0	48.0	34.5
Marico	46.0	35.8	44.8	48.3	28.3	2.5	-4.7
Nestle India	61.8	55.2	62.3	67.4	11.9	-0.9	-8.3
P & G Hygiene	32.5	57.7	66.6	66.0	-43.7	-51.3	-50.8
Tata Consumer	54.8	45.4	53.0	66.8	20.5	3.2	-18.1
Varun Beverages	40.7	47.8	47.8	49.9	-14.8	-14.9	-18.5
Zydus wellness	30.3	35.0	34.7	36.0	-13.4	-12.6	-15.8
Paints							
Asian Paints	44.8	51.3	58.9	63.1	-12.7	-24.0	-29.0
Indigo Paints	20.6	65.1	57.6	54.9	-68.3	-64.2	-62.5
Pidilite Inds.	50.5	50.7	62.6	73.0	-0.4	-19.3	-30.8
Innerwear							
Page Industries	45.9	56.8	65.7	67.7	-19.2	-30.2	-32.3
Liquor							
Radico Khaitan	47.1	31.2	38.6	57.2	51.1	22.1	-17.5
United Breweries	59.9	92.7	97.7	105.3	-35.3	-38.7	-43.1
United Spirits	49.4	8500.2	61.8	59.5	-99.4	-20.2	-17.1
QSR							
Devyani Intl.	85.3	852.7	225.6	225.6	-90.0	-62.2	-62.2
Jubilant	52.5	72.4	84.2	114.7	-27.5	-37.7	-54.3
Sapphire Foods	93.5	740.1	174.2	174.2	-87.4	-46.3	-46.3
Westlife Foodworld	228.2	3031.7	432.3	432.3	-92.5	-47.2	-47.2
Jewelry							
Kalyan Jewellers	24.2	32.7	33.2	33.2	-25.9	-27.0	-27.0
Senco Gold	13.7	25.3	20.9	20.9	-46.1	-34.7	-34.7
Titan	54.4	52.6	62.0	66.2	3.5	-12.2	-17.7

Exhibit 21: Our coverage universe performance; Nifty FMCG Index underperforms Nifty 50 (%)

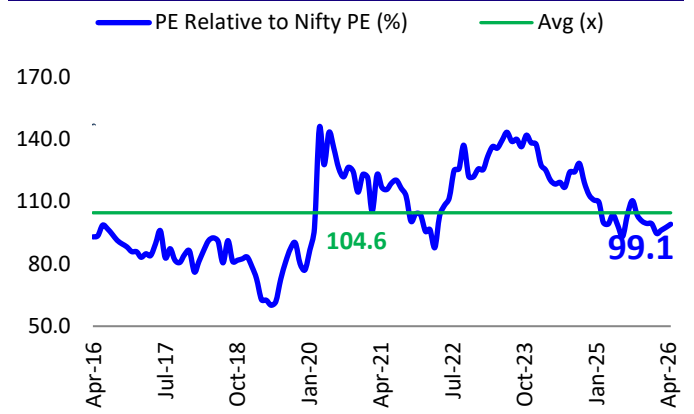
Particulars	Returns					
	Apr'26 (till date)	27th Feb (before War)	3M	6M	1Y	3 yr CAGR (%)
Nifty 50	7.4	-3.3	-5.2	-5.3	2.1	11.2
Nifty FMCG	7.6	-2.9	-4.8	-12.3	-12.4	2.1
Staples						
Britannia Inds.	4.8	-4.4	-2.8	-5.7	5.1	9.8
Colgate-Palmolive	15.7	-6.6	0.1	-8.2	-18.1	10.5
Dabur India	6.7	-14.6	-13.9	-12.9	-7.6	-5.5
Emami	14.9	-2.3	-10.6	-18.0	-26.5	7.6
Godrej Consumer	11.2	-8.9	-10.3	-2.0	-10.5	4.4
Hind. Unilever	8.5	-4.2	-5.1	-12.6	-4.2	-3.7
ITC	5.2	-2.2	-6.8	-25.6	-28.2	-6.8
Jyothy Labs	15.9	-6.0	-6.4	-24.7	-36.5	7.2
Marico	1.7	-4.0	-0.4	3.0	5.9	16.5
Nestle India	8.9	-0.5	-2.3	-0.3	6.4	8.3
P & G Hygiene	2.6	-11.9	-18.3	-27.3	-29.3	-10.7
Zydus Wellness	14.6	29.7	13.5	8.3	41.6	18.0
Paints						
Asian Paints	10.7	3.7	-10.6	-1.7	-0.2	-4.7
Indigo Paints	11.8	-10.5	-32.2	-18.5	-17.6	-8.0
Pidilite Inds.	6.6	-6.6	-5.6	-9.7	-8.2	5.6
Liquor						
United Breweries	-5.7	-6.9	-1.8	-16.4	-30.4	1.9
United Spirits	4.3	-5.6	-3.4	-4.3	-14.2	19.4
Radico Khaitan	18.7	20.3	10.2	2.5	29.5	42.1
Inerwear						
Page Industries	16.4	18.3	10.5	-7.5	-15.3	-0.2
QSR						
Barbeque-Nation	59.2	37.2	69.2	51.2	18.3	-19.8
Devyani Intl.	11.3	-15.5	-18.5	-35.7	-34.8	-12.3
Jubilant Food.	3.4	-11.7	-13.0	-22.6	-34.2	2.1
Restaurant Brand	7.1	-0.4	-6.6	-8.2	-19.2	-12.1
Sapphire Foods	10.9	-15.6	-22.2	-40.2	-43.2	-10.1
Westlife Food	0.7	-6.2	-4.7	-22.6	-34.5	-13.8
Jewelry						
Kalyan Jewellers	10.3	4.1	-8.7	-12.9	-18.6	60.4
P N Gadgil Jewe.	18.9	21.0	13.4	1.8	22.7	NA
Senco Gold	13.1	2.9	0.7	3.6	-10.4	NA
Titan Company	11.3	4.6	7.8	23.2	36.0	20.2

Exhibit 22: Consumer sector's P/E band (x)



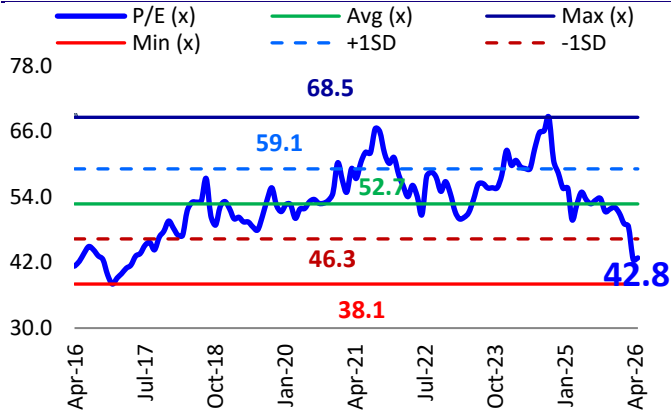
Source: Company, MOFSL

Exhibit 23: Consumer sector's P/E relative to Nifty P/E (%)



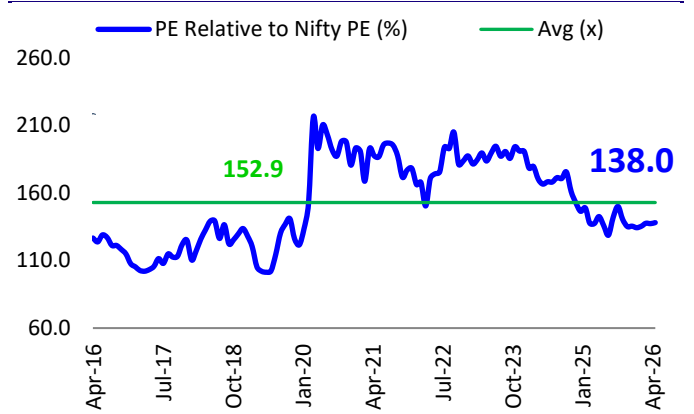
Source: Company, MOFSL

Exhibit 24: Consumer sector – P/E (Ex-ITC)



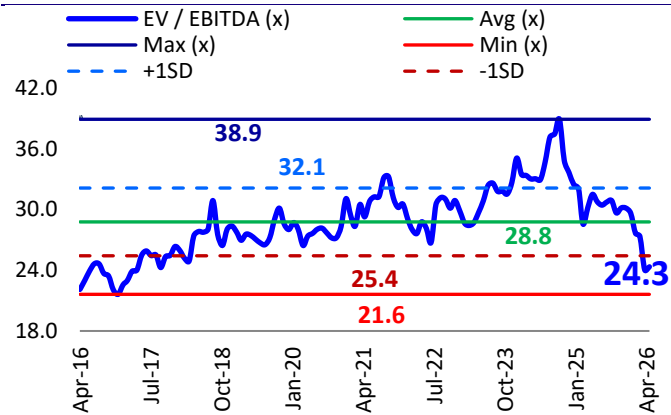
Source: Company, MOFSL

Exhibit 25: Consumer P/E relative to Nifty P/E (%) (Ex-ITC)



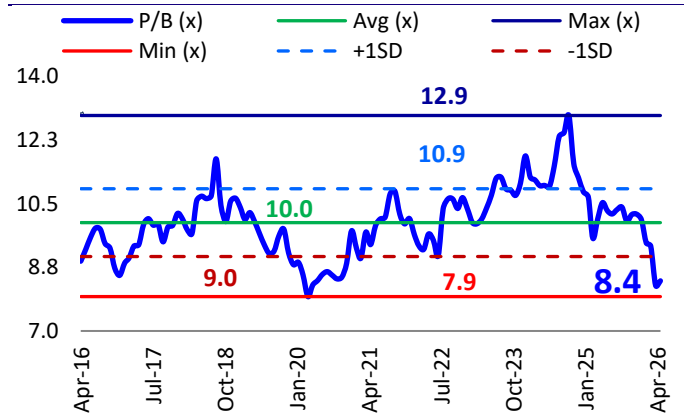
Source: Company, MOFSL

Exhibit 26: Consumer sector – EV/EBITDA (x)



Source: Company, MOFSL

Exhibit 27: Consumer sector – P/B (x)



Source: Company, MOFSL

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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