

FMCG

Demand recovery lags margins

The HSIE consumer index sales grew by 12% YoY in Q4FY23 (+11% in Q4FY22, +11% in Q3FY23). On a four-year CAGR basis, the universe clocked 9% growth in Q4FY23, a trend similar to that witnessed in the previous few quarters. On a four-year CAGR basis, Paints/QSR/F&B/Home Care have grown ahead of our index average (14/13/12/11%) in Q4FY23. On the other hand, Personal Care/Cigarette/Liquor/Oral Care/Hair care/Footwear underperformed, growing below the aggregate at 7/6/6/5/4/3% ([Link](#)). Although discretionary categories exhibited high YoY growth, they are witnessing deceleration in demand on weak consumer sentiment. A large part of the growth across categories was driven by price hike, while volume growth remained soft throughout FY23 (although improved in Q4). The FMCG sector witnessed positive volume growth after five consecutive quarters of decline, led by urban markets. Rural softness has likely bottomed out, given the reversal of the declining trend. Moderating input costs and retail inflation should help sustain demand recovery.

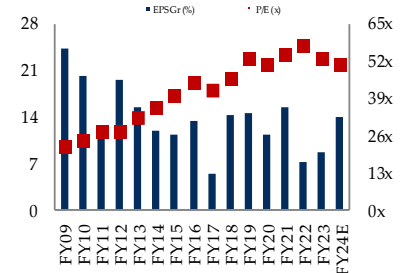
We expect divergence between volume and value growth to normalise in FY24 with volume growth back to its historical average of mid-single digit. Moreover, the easing commodity inflation will help sustain gross margin expansion. However, companies shall reinvest some of these gains in product innovation, distribution expansion and marketing spends, which shall limit operating margin expansion.

We believe there will be no more pressure on earnings for FMCG companies in FY24 (earnings cut cycle is behind) while both revenues and margins should see an uptrend. We remain cautious and selective on valuation for the medium term (do not see rerating as a story); however, earnings pick-up in FY24 will continue to support FMCG stocks. We rate ITC, Dabur, GCPL, Marico, UNSP, and Colgate as ADD and HUL, Nestle, Britannia, Emami, and Radico as REDUCE.

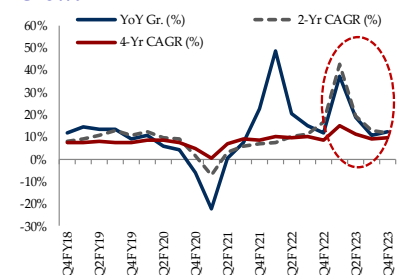
- **Essentials performance led by F&B, Home care; OTC FMCG/healthcare weak:** F&B and Home care continued to drive performance for essentials, growing by 12/11% (four-year CAGR). Personal Care/Oral Care/ Hair Care saw revenue CAGR of 7/5/4%. OTC FMCG/healthcare revenues fell 2% YoY on account of a high base. We note that Q4/FY23 growth was pricing led; going ahead, we expect divergence between volume and pricing to return to normal.
- **Discretionary categories see sequential deceleration:** With sustained high inflationary environment impacting consumer wallet, discretionary categories witnessed sequential deceleration in demand. However, Paints/QSR reported a four-year CAGR of 14/13%. We note that QSR growth was largely led by store addition as most players reported deceleration in SSSG. Cigarettes revenues grew 14% YoY on a low base, with underlying four-year CAGR of 6%. We believe discretionary categories will underperform in the coming year.
- **Volumes turn positive; rural has likely bottomed out:** In Q4, after five consecutive quarters of decline, FMCG sector volumes grew in low single digits. Urban consumption continues to exhibit faster recovery and has remained steady. Moreover, with rural recording reversal of declining trend, we believe the rural sector has most likely bottomed out. We expect demand to sustain this trajectory, given moderating input costs and retail inflation.
- **Margins improvement sustaining:** With prices of key inputs (palm oil, crude, crude derivatives, etc.) softening, most companies recorded sequential improvement in margins (both at gross and operating level). Companies will look to reinvest some margin gains in marketing/distribution in order to further stimulate demand.

Company	CMP (INR)	Reco.
HUL	2,717	REDUCE
ITC	444	ADD
Nestle	22,050	REDUCE
Britannia	4,656	REDUCE
Dabur	557	ADD
GCPL	983	ADD
Marico	550	ADD
UNSP	874	ADD
Colgate	1,608	ADD
Emami	398	REDUCE
Radico	1,198	REDUCE

FMCG Universe: Earnings vs. Valuation (Ex-ITC)



HSIE Consumer Index- Quarterly YoY Growth



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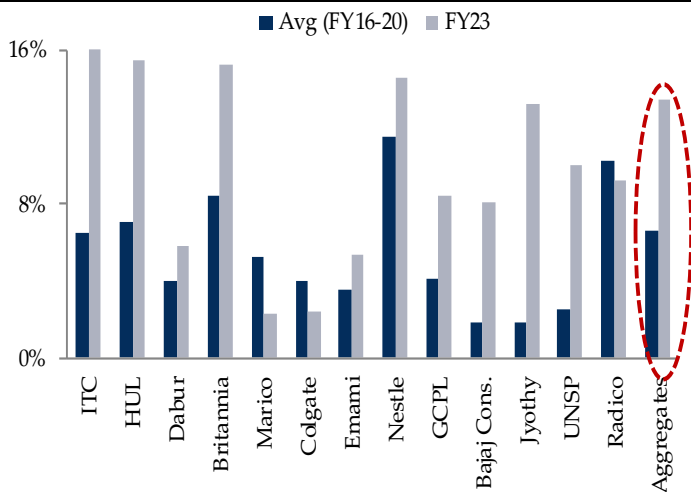
FMCG Universe Performance

Q4FY23 performance

Companies	Revenue Growth (%)					Domestic Volume Growth (%)					EBITDA Growth (%)					PBT Growth (%)				
	4Q	1Q	2Q	3Q	4Q	4Q	1Q	2Q	3Q	4Q	4Q	1Q	2Q	3Q	4Q	4Q	1Q	2Q	3Q	4Q
HUL	10	19	16	16	11	0	6	4	5	4	10	14	8	8	7	9	17	9	13	9
ITC (cig)	10	29	23	17	14	9	26	20	15	12	12	30	24	17	14	na	na	na	na	na
ITC (Total)	16	41	27	3	7	na	na	na	na	na	17	41	27	22	19	12	38	22	22	20
Nestle	11	16	19	14	21	8	7	9	(2)	5	0	1	7	15	20	(1)	(4)	8	17	23
Britannia	13	9	21	17	13	4	(2)	5	3	3	9	(10)	27	51	46	5	(13)	26	52	46
Dabur	8	8	6	3	6	2	5	1	(3)	1	3	(2)	(3)	(3)	(10)	5	(1)	(3)	(4)	(17)
UNSP	12	34	18	(3)	(0)	(26)	17	8	(25)	3	4	64	5	(27)	(21)	9	111	5	(20)	(29)
GCPL	9	12	8	11	12	(3)	(6)	(5)	3	13	(13)	(13)	(15)	10	32	(15)	(15)	(18)	11	37
Marico	7	1	3	3	4	1	(6)	3	4	5	8	10	2	6	14	7	7	(1)	9	25
Emami	5	17	3	1	9	0	0	(5)	(4)	2	1	2	(30)	(14)	22	(10)	(8)	(18)	(7)	36
Colgate	1	3	3	1	4	(4)	(3)	(3)	(5)	1	2	(8)	2	(5)	5	3	(7)	4	(4)	9
Jyothy	10	12	12	16	15	4	3	1	2	3	(19)	(8)	19	39	59	(18)	29	47	101	87
Bajaj Cons.	(11)	15	7	0	12	(10)	14	0	-	10	(39)	(32)	(37)	(18)	13	(29)	(32)	(33)	(16)	7
Radico	18	27	7	5	2	16	22	11	0	(1)	(20)	0	(19)	(19)	(1)	(33)	(1)	(26)	(24)	(18)

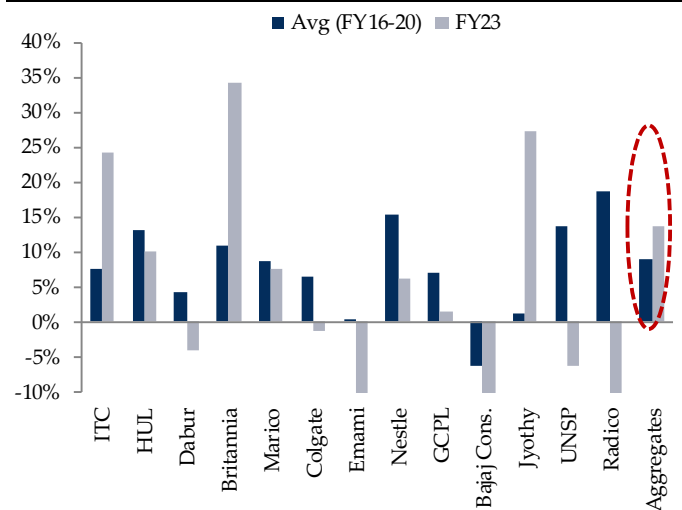
ITC- EBIT growth

HSIE Universe: Company Revenue Performance



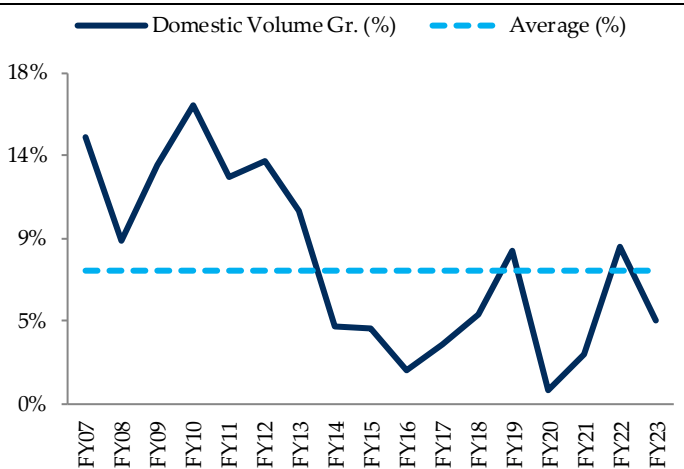
Source: Companies, HSIE Research

HSIE Universe: Company EBITDA Performance



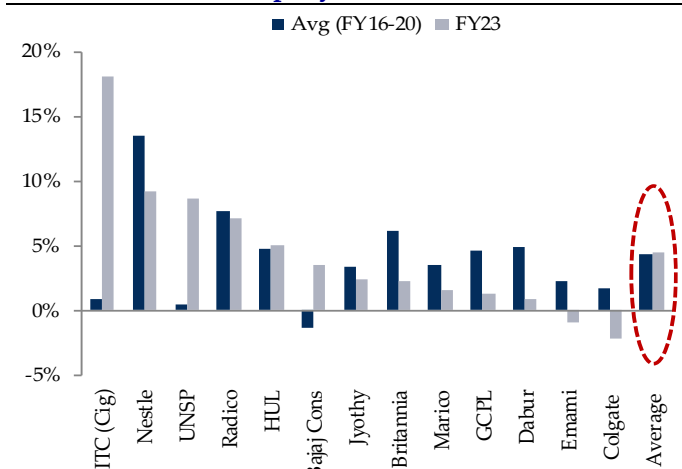
Source: Companies, HSIE Research

HSIE Universe: Volume Performance



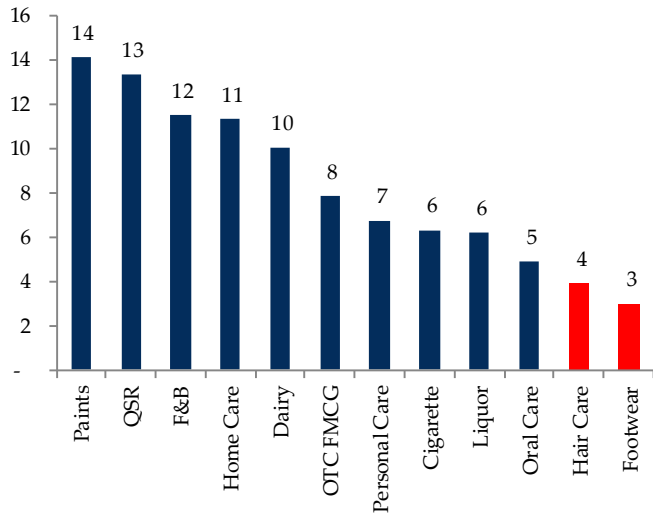
Source: Companies, HSIE Research

HSIE Universe: Company Volume Performance

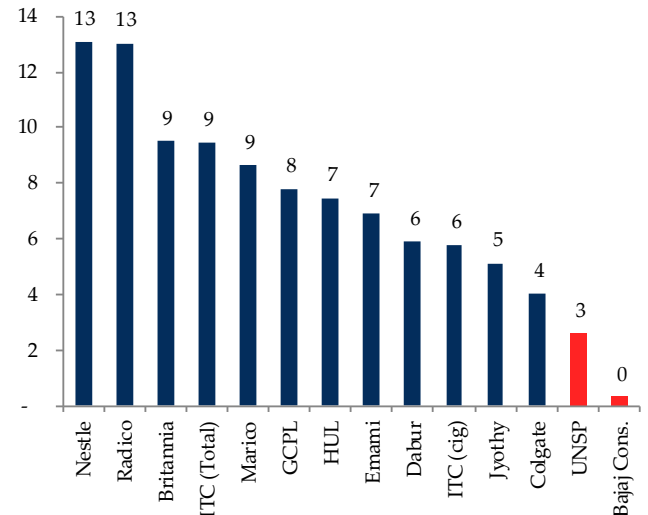


Source: Companies, HSIE Research

Category Q4FY23 Performance - 4-Year CAGR



Company-wise Q4FY23 Performance - 4-Year CAGR



Source: Companies, HSIE Research

Source: Companies, HSIE Research

Volume Performance

Volume Gr (%)	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23	Q4 FY23	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Personal Products																
HUL	9	4	2	-	6	4	5	4	6	1	6	10	2	3	4	5
Colgate – Overall	8	2	3	(4)	(3)	(3)	(5)	1	4	(2)	3	6	1	4	2	(2)
Dabur – Overall	34	10	2	2	5	1	(3)	1	4	2	5	11	2	12	12	1
Emami – Overall	38	6	-	-	-	(5)	(4)	2	14	7	3	4	(4)	12	9	(2)
Hair Care																
Bajaj Consumer	24	(1)	(6)	(10)	14	0	-	10	3	(2)	3	7	(9)	7	0	6
Marico – FMCG	21	8	-	1	(6)	3	4	5	7	4	2	8	1	9	8	2
Marico – PCNO	12	7	1	(1)	(2)	(3)	2	9	7	4	2	8	-	6	5	2
Marico –VAHO	34	16	3	3	-	(2)	(2)	12	14	4	4	7	(2)	-	14	2
Home Care																
GCPL - Branded Biz	15	4	-	(3)	(6)	(5)	3	13	10	4	9	5	1	10	12	1
Jyothy Labs - Overall	17	11	7	4	3	1	2	3	15	10	9	7	2	9	(4)	14
F&B																
Britannia Industries	1	2	5	4	(2)	5	3	3	11	5	8	10	2	12	3	2
Marico – Saffola	24	10	5	4	(19)	9	13	(6)	9	8	(1)	8	9	17	11	(1)
Nestle - Domestic	13	6	7	8	7	9	(2)	5	(36)	25	11	11	7	3	11	9
QSR																
Jubilant FoodWorks - SSG	114	26	6	4	26	6	(2)	(3)	3	(2)	14	16	3	(18)	37	7
Devyani – KFC	158	72	24	3	64	13	3	2	-	-	-	5	3	(34)	49	49
Devyani – PH	216	74	25	2	32	3	(6)	(3)	-	-	-	5	(4)	(30)	115	115
Sapphire – KFC	149	na	29	15	65	15	3	2	-	-	-	14	5	(30)	31	31
Sapphire - PH	135	na	22	3	47	23	(4)	(4)	-	-	-	5	(5)	(35)	42	42
Westlife Development - SSG	183	84	44	23	97	40	20	14	2	4	16	17	4	(24)	58	36
Burger King - SSG	na	62	na	17	66	27	9	8	-	-	12	29	(0)	(35)	47	23
Cig																
ITC-Cig	31	10	13	9	26	20	15	12	(9)	1	(3)	6	(0)	(12)	16	18
Godfrey Phillips	57	12	13	13	37	24	23	18	na	na	1	9	10	(20)	20	25
Liquor																
United Spirits - P&A	60	6	8	9	24	14	3	10	10	8	1	12	(2)	(9)	15	12
United Spirits - Total	61	3	4	(26)	17	8	(25)	3	(1)	(3)	(13)	4	(2)	(11)	(22)	9
Radico Khaitan - P&A	41	18	14	28	29	22	14	17	9	8	6	21	15	(8)	24	20
Radico Khaitan - Total	59	7	7	16	22	11	0	(1)	(7)	0	7	11	12	(8)	18	7

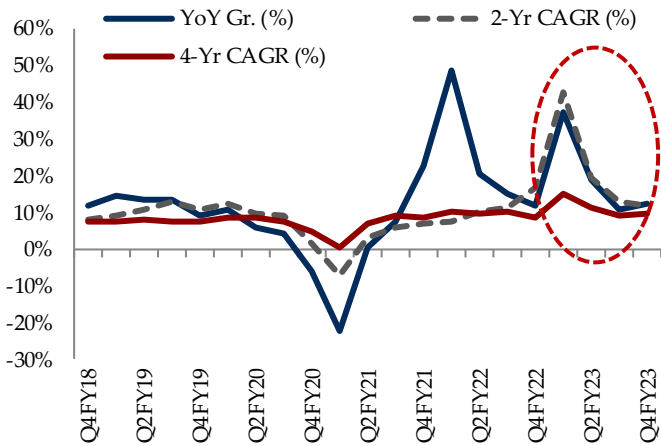
Revenue Performance

Value Growth	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Personal Products																
HUL (FMCG business)	12	11	11	10	19	16	16	11	4	3	12	12	1	6	11	16
Colgate - Overall	12	5	4	1	3	3	1	4	5	3	5	7	1	7	5	2
Dabur - Overall	36	12	7	8	8	7	3	5	7	(0)	6	10	1	15	15	5
Emami - Overall	42	9	3	3	4	1	1	5	20	10	0	7	(4)	10	12	5
Hair Care																
Bajaj Corp. - ADHO	11	(4)	(7)	(11)	15	7	0	12	7	(1)	12	10	(7)	10	(4)	8
Marico - FMCG	35	24	12	5	(4)	1	2	2	7	(2)	9	16	(2)	12	19	0
Marico - PCNO	20	18	8	5	(9)	(11)	(6)	3	5	(9)	22	23	(2)	8	13	(6)
Marico - VAHO	35	16	3	3	5	2	(3)	13	16	4	4	12	(6)	(2)	14	4
Home Care																
GCPL - Branded Biz	19	10	8	9	12	8	11	12	9	2	10	8	(4)	14	11	10
Jyothy Labs - Overall	21	16	13	10	14	13	14	13	5	6	4	2	(7)	13	16	13
F&B																
Britannia - Domestic	(1)	6	13	13	9	21	17	13	10	8	9	12	5	13	8	15
Marico - Saffola	60	46	19	17	(13)	4	10	(9)	10	8	(4)	10	12	25	34	(3)
Nestle - Domestic	14	10	9	11	16	19	14	21	(18)	15	12	13	11	8	11	15
QSR																
Jubilant FoodWorks	131	37	13	13	41	17	10	8	16	6	17	18	10	(16)	32	18
Devyani - KFC	360	141	64	39	109	47	27	26	-	-	-	-	31	6	89	45
Devyani - PH	268	112	64	41	71	36	18	16	-	-	-	-	(1)	(31)	85	32
Sapphire - KFC	246	95	53	43	98	36	26	24	-	-	-	-	-	(24)	75	40
Sapphire - PH	203	87	51	33	85	60	20	18	-	-	-	-	-	(34)	67	41
Burger King	289	154	72	37	125	50	32	36	-	-	-	67	33	(41)	91	53
Westlife Development	176	84	47	27	108	49	28	22	9	12	22	24	10	(36)	60	45
Pizza Hut - System Sales Gr	221	78	57	38	77	45	19	17	(5)	1	10	17	3	(32)	77	35
KFC - System Sales Gr	163	92	60	40	104	42	26	25	-	7	9	22	16	(11)	83	43
Others																
ITC-Cig	33	10	14	10	29	23	17	14	0	0	5	10	3	(12)	15	20
Godfrey Phillips	68	(9)	3	3	34	59	30	14	(0)	0	8	9	16	(2)	9	34

HSIE consumer index

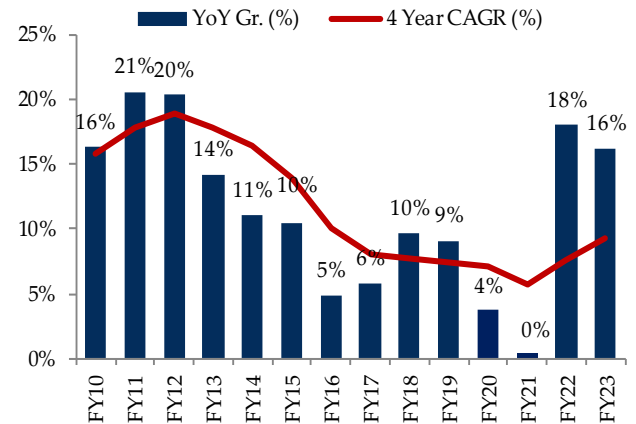
The HSIE consumer index examines the underlying health of consumption across various consumption categories (oral care, haircare, personal care, home care, F&B, OTC FMCG, cigarette, footwear, paints, QSR, dairy, and liquor). The index is based on weighted average YoY growth.

HSIE Consumer Index- Quarterly Growth



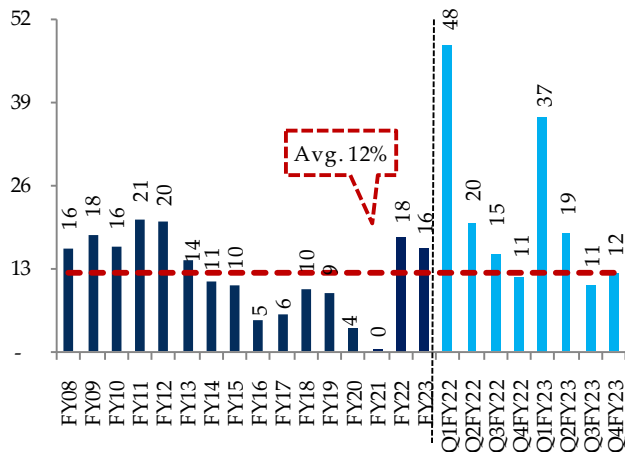
Source: Company, HSIE Research

HSIE Consumer Index- Annual Growth



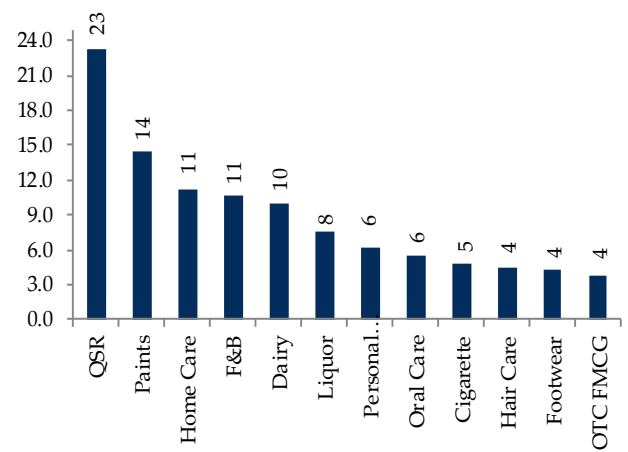
Source: Company, HSIE Research

HSIE Consumer Index



Source: Company, HSIE Research

Category Performance- five-year CAGR (%)



Source: Company, HSIE Research *QSR – 4-year CAGR

HSIE Consumer Index – Category-wise Aggregate Performance

YoY Gr. (%)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Personal Care	33%	16%	10%	8%	5%	20%	12%	11%	11%	13%	11%	10%	-3%	6%	9%	13%	6%
Hair Care	29%	30%	15%	5%	2%	6%	-1%	-2%	8%	3%	8%	14%	-4%	2%	12%	3%	4%
Oral Care	25%	17%	8%	5%	1%	7%	0%	-1%	4%	3%	9%	8%	1%	10%	7%	3%	6%
F&B	17%	13%	11%	11%	12%	13%	16%	13%	14%	12%	10%	11%	7%	12%	11%	12%	11%
Home Care	18%	14%	15%	20%	19%	26%	29%	28%	18%	25%	12%	13%	4%	5%	17%	25%	11%
OTC FMCG	14%	21%	-1%	0%	4%	-12%	-4%	0%	-2%	-5%	8%	12%	5%	15%	5%	-5%	4%
Cigarette	8%	36%	7%	12%	9%	29%	28%	18%	14%	21%	5%	10%	5%	-11%	14%	21%	5%
Liquor	15%	58%	28%	15%	15%	57%	18%	5%	5%	21%	9%	14%	3%	-14%	19%	21%	8%
QSR	10%	204%	83%	39%	25%	83%	35%	20%	19%	34%	17%	25%	13%	-22%	58%	34%	23%
Dairy	8%	18%	18%	14%	16%	36%	20%	20%	19%	24%	10%	14%	8%	-5%	16%	24%	10%
Paints	43%	95%	29%	23%	15%	56%	20%	2%	13%	19%	12%	14%	4%	6%	32%	19%	14%
Footwear	17%	95%	42%	28%	-9%	142%	20%	-2%	15%	21%	10%	15%	5%	-20%	25%	21%	4%

Note: Category growth is weighted average growth (YoY) based on revenue size of each player *QSR – 4-year CAGR

Category outperformers and underperformers (LTM basis)

- Essentials performance led by F&B, Home care; OTC FMCG/healthcare weak:** F&B and Home care continued to drive performance for Essentials, growing by 12/11% on a four-year CAGR basis. Personal Care/Oral Care/ Hair Care saw revenue CAGRs of 7/5/4%. OTC FMCG/ healthcare revenues fell 2% YoY on account of a high base. We note that Q4/FY23 growth was pricing led; going ahead, we expect divergence between volume and pricing to return to normal.
- Discretionary categories see sequential deceleration:** With sustained high inflationary environment impacting consumer wallet, discretionary categories witnessed sequential deceleration in demand. However, Paints/ QSR reported four-year CAGR of 14/13%. We note that QSR growth was largely store addition-led as most players reported low single digit SSSG. Cigarettes revenues grew 14% YoY on a low base, with underlying four-year CAGR at 6%. We believe discretionary categories will underperform in the coming year.

Categories	Category Gr. (Q4FY23)	Category Gr. (LTM)	Outperformers	Co Avg. Gr. (LTM)	Outperformance (x)	Underperformers	Co Avg. Gr. (LTM)	Underperformance (x)
Personal Care	11%	13%	GCPL	20%	1.6x	Dabur	-4%	-0.3x
Hair Care	8%	3%	Bajaj Corp	11%	3.8x	Marico - PNCO	-6%	-2.0x
Oral Care	4%	3%	Dabur	4%	1.6x	Gillette	0%	0.0x
F&B	14%	12%	Dabur	29%	2.4x	Agro Tech	-7%	-0.6x
Home Care	18%	25%	Jyothy - Fabric Care	29%	1.2x	Jyothy - HI	-20%	-0.8x
OTC FMCG	-2%	-5%	Dabur - OTC	-4%	.7x	Emami - Balm	-14%	2.8x
Cigarette	14%	21%	Godfrey Phillips	34%	1.6x	VST	10%	0.5x
Liquor	5%	21%	United Breweries	28%	1.3x	Radico Khaitan	9%	0.4x
QSR	19%	34%	Burger King	53%	1.5x	Jubilant FoodWorks	18%	0.5x
Dairy	19%	24%	Parag	40%	1.7x	Hatsun Agro	18%	0.8x
Paints	13%	19%	Berger	21%	1.1x	Asian Paints	19%	1.0x
Footwear	15%	21%	Bata	45%	2.2x	Mirza International	-55%	-2.6x

Source: HSIE Research

HSIE Consumer Index - Category-wise Revenue Performance

(GREEN/RED is outperformer/ underperformer in the category)

Oral Care	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Colgate	12	5	4	1	3	3	1	4	2	3	5	7	1	7	5	2	5
Dabur	21	13	7	1	8	9	3	(3)	4	7	17	10	2	23	10	4	9
Gillette	56	25	9	(5)	23	(13)	(9)	7	(0)	(3)	26	17	(2)	11	17	(0)	8
Weighted Avg Gr. (%)	17	8	5	1	7	(0)	(1)	4	3	3	9	8	1	10	7	3	6

Hair Care	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Marico –PCNO	20	18	8	5	(9)	(11)	(6)	3	(6)	(9)	22	23	(2)	8	13	(6)	7
Marico – VAHO	35	16	3	3	5	2	(3)	13	4	4	4	12	(6)	(2)	14	4	3
Dabur	37	25	8	4	12	4	(1)	0	4	(7)	4	14	(1)	2	17	4	7
Bajaj Corp	24	(1)	(6)	(10)	14	0	-	10	11	(1)	12	10	(7)	9	(4)	11	3
Emami – Navratna	21	(9)	11	-	29	(5)	(6)	(3)	6	3	8	8	(2)	(8)	5	6	2
GCPL – Hair Colors	15	11	2	2	5	9	14	17	11	4	11	10	(6)	3	8	11	4
Emami – Kesh King	53	15	-	(7)	20	(10)	(1)	1	1	48	(14)	13	1	15	11	1	8
Weighted Avg Gr. (%)	30	15	5	2	6	(1)	(2)	8	3	1	8	14	(4)	2	12	3	4

Personal Care	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
HUL	13	10	7	4	17	11	10	10	12	4	10	11	(2)	4	8	12	6
GCPL – Soaps	18	12	16	27	30	20	14	17	20	(2)	19	6	(7)	15	18	20	10
Gillette	17	7	8	9	28	16	16	10	17	2	7	10	(12)	16	10	17	7
Emami -Boroplus	96	29	2	(18)	-	17	(3)	(25)	1	15	22	2	(7)	15	5	1	3
Emami – F&H	78	15	(3)	4	32	2	(1)	29	3	(6)	4	3	(29)	(26)	16	3	(8)
Dabur – Skin	(5)	(12)	3	(11)	11	(15)	(6)	(2)	(4)	4	11	17	(3)	16	(6)	(4)	2
Weighted Avg Gr. (%)	16	10	8	5	20	12	11	11	13	3	11	10	(3)	6	9	13	6

Home Care	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
HUL – Detergent	12	16	23	24	30	34	32	19	28	8	15	15	6	2	19	28	13
GCPL – HI	21	7	4	(2)	(4)	2	10	14	6	3	2	2	(3)	16	8	6	5
Dabur – HI	31	25	19	11	52	21	18	10	24	4	14	13	1	(7)	21	24	10
Jyothy – Fabric care	28	25	19	18	39	34	26	20	29	8	4	8	(3)	(6)	22	29	8
Jyothy – Dishwash	22	13	10	12	10	6	10	9	8	9	9	17	(4)	23	14	8	10
Jyothy – HI	13	4	10	(9)	(38)	(31)	(16)	1	(20)	(4)	(0)	(3)	(19)	42	3	(20)	(3)
Weighted Avg Gr. (%)	14	15	20	19	26	29	28	18	25	7	12	13	4	5	17	25	11

F&B	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Britannia	(1)	6	13	13	9	21	17	13	15	8	9	12	5	13	8	15	10
Nestle	14	10	9	11	16	19	14	21	15	15	12	13	11	8	11	15	12
HUL - Food	15	11	6	8	13	5	7	9	5	3	11	11	4	17	7	5	9
HUL - Refreshment										9	12	11	4	17	7	5	9
Marico – Saffola	60	46	19	17	(13)	4	10	(9)	(3)	8	(4)	10	12	25	34	(3)	15
Dabur – Real	81	45	38	34	52	30	6	22	29	13	1	9	(6)	(6)	48	29	12
Agro Tech	1	10	(0)	(1)	(10)	(6)	(9)	(5)	(7)	4	0	1	1	7	3	(7)	1
Weighted Avg Gr. (%)	13	11	11	12	13	16	13	14	12	10	10	11	7	12	11	12	11

OTC FMCG	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Dabur – Health Supp.	25	(14)	(8)	10	(36)	(13)	0	(3)	(12)	(4)	10	15	8	42	(0)	(12)	9
Emami – Pain MGT	70	6	7	9	(30)	(13)	(2)	(9)	(14)	6	6	7	3	23	18	(14)	7
Dabur – OTC	52	2	4	8	(15)	(2)	4	(0)	(4)	(8)	5	14	(0)	32	14	(4)	10
Amrutanjan – Balm	56	17	10	11	(7)	(0)	(12)	(10)	(7)	16	9	20	4	31	18	(7)	12
Emami – Digestive	59	5	(6)	4	(25)	(16)	2	(13)	(10)	(1)	(7)	12	(2)	45	12	(10)	2
Weighted Avg Gr. (%)	21	(1)	(0)	4	(12)	(4)	(0)	(2)	(5)	(2)	8	12	5	15	5	(5)	4

Cigarette	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
ITC	33	10	14	10	29	23	17	14	20	5	5	10	3	(12)	15	20	4
Godfrey Phillips (Gross)	68	(9)	3	3	34	59	30	14	34	2	8	9	16	(2)	9	34	8
VST	12	(10)	15	9	9	27	5	(0)	10	4	3	16	13	(10)	6	10	6
Weighted Avg Gr. (%)	36	7	12	9	29	28	18	14	21	5	5	10	5	(11)	14	21	5

QSR	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Jubilant FoodWorks	131	37	13	13	41	17	10	8	18	6	17	18	10	(16)	32	18	10
Devyani (KFC)	360	141	64	39	109	47	27	26	45	-	-	-	31	6	89	45	40
Devyani (PH)	268	112	64	41	71	36	18	16	32	-	-	-	(1)	(31)	85	32	13
Sapphire (KFC)	246	95	53	43	98	36	26	24	40	-	-	-	18	(24)	75	40	22
Sapphire (PH)	203	87	51	33	85	60	20	18	41	-	-	-	9	(34)	67	41	14
Burger King	289	154	72	37	125	50	32	36	53	-	-	67	33	(41)	91	53	23
Westlife Developers	176	84	47	27	108	49	28	22	45	12	22	24	10	(36)	60	45	13
Speciality Restaurants	268	214	57	10	196	52	17	22	48	(3)	(5)	17	3	(58)	68	48	2
Weighted Avg Gr. (%)	204	83	39	25	83	35	20	19	34	6	17	25	13	(22)	58	34	23

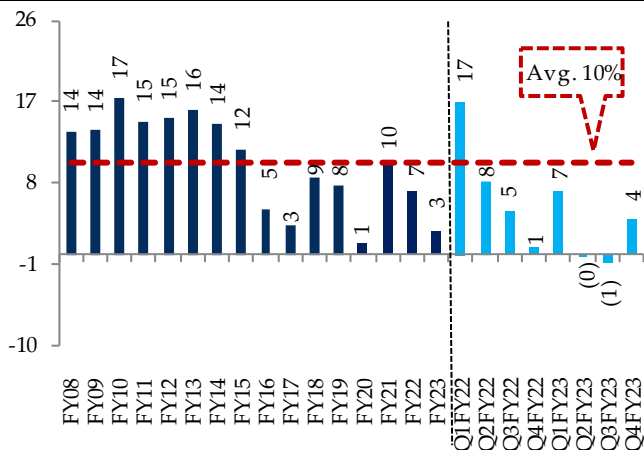
Liquor	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
United Spirits	57	14	16	12	34	18	(3)	(0)	20	8	1	10	(1)	(11)	2	20	5
Pernod Ricard	27	27	11	19	47	21	13	11	21	3	11	18	5	(11)	23	21	11
United Breweries	121	58	23	11	118	18	2	3	28	(2)	19	15	0	(35)	38	28	6
Radico Khaitan	46	13	11	18	27	7	5	2	9	2	9	15	16	(1)	19	9	12
Weighted Avg Gr. (%)	58	28	15	15	57	18	5	5	21	4	9	14	3	(14)	19	21	8

Paints	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Asian Paints	91	33	26	19	60	19	0	13	19	7	11	14	5	7	34	19	15
Berger	93	28	20	8	53	20	6	12	21	8	13	17	5	7	29	21	15
Kansai	118	16	13	4	38	19	1	14	19	18	15	13	(4)	(3)	25	19	9
Weighted Avg Gr. (%)	95	29	23	15	56	20	2	13	19	9	12	14	4	6	32	19	14

Footwear	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Bata	98	67	37	13	253	35	7	17	45	2	6	11	4	(44)	40	45	6
Relaxo	37	24	11	(7)	34	(6)	2	12	5	2	19	18	5	(2)	12	5	7
Mirza International	203	45	54	(48)	92	22	(80)	(4)	(53)	1	4	18	9	(18)	34	(55)	(8)
Liberty	90	15	3	(22)	65	51	4	31	34	10	10	11	3	(30)	(9)	34	4
Weighted Avg Gr. (%)	95	42	28	(9)	142	20	(2)	15	21	3	10	15	5	(20)	25	21	4

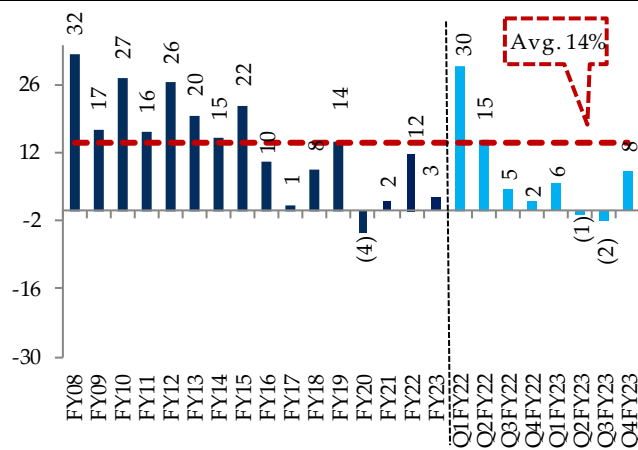
Dairy	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Avg. 4 Qtr	FY17	FY18	FY19	FY20	FY21	FY22	FY23	5 Yr CAGR
Hatsun Agro	31	25	14	12	31	17	14	10	18	17	0	11	10	4	20	18	12
Heritage	3	11	12	14	28	23	18	18	21	6	27	8	8	(10)	10	21	7
Parag	1	7	14	29	58	25	37	42	40	5	11	25	2	(24)	12	40	9
Weighted Avg Gr. (%)	18	18	14	16	36	20	20	19	24	11	10	14	8	(5)	16	24	10

Oral Care



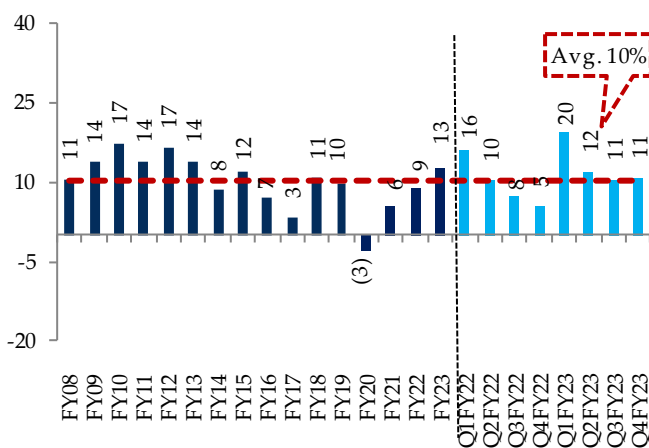
Source: Companies, HSIE Research

Hair Care



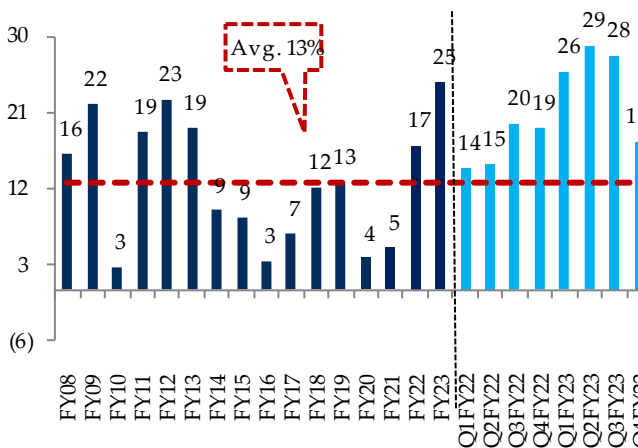
Source: Companies, HSIE Research

Personal Care



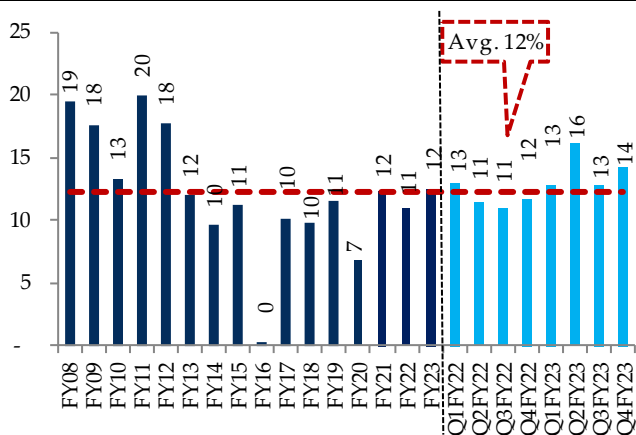
Source: Companies, HSIE Research

Home Care



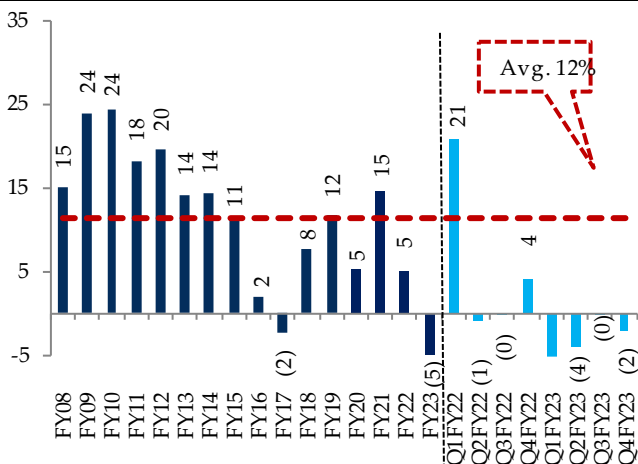
Source: Companies, HSIE Research

F&B



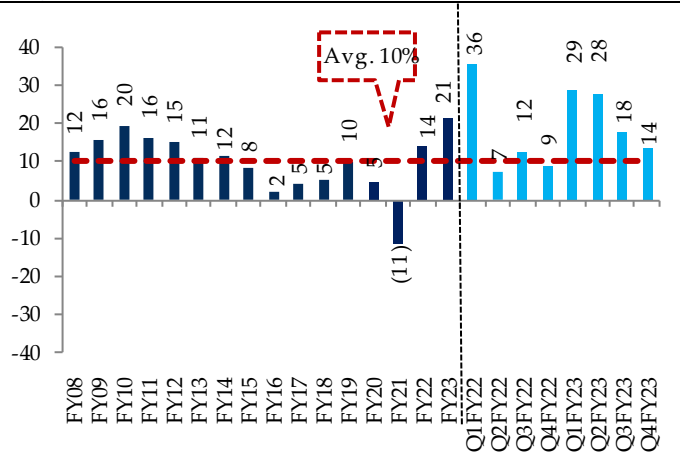
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OTC FMCG



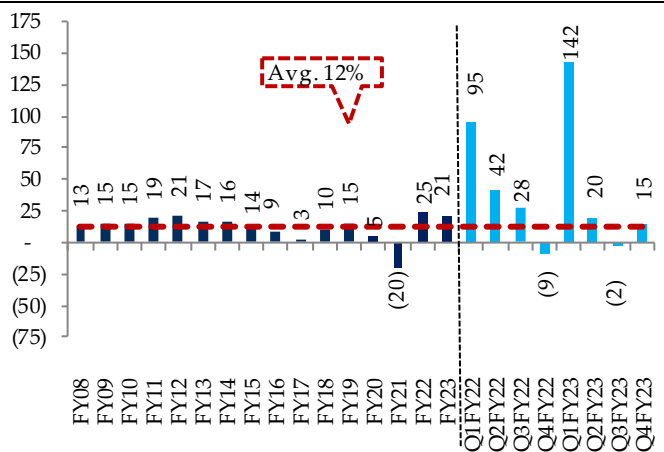
Source: Companies, HSIE Research

Cigarette



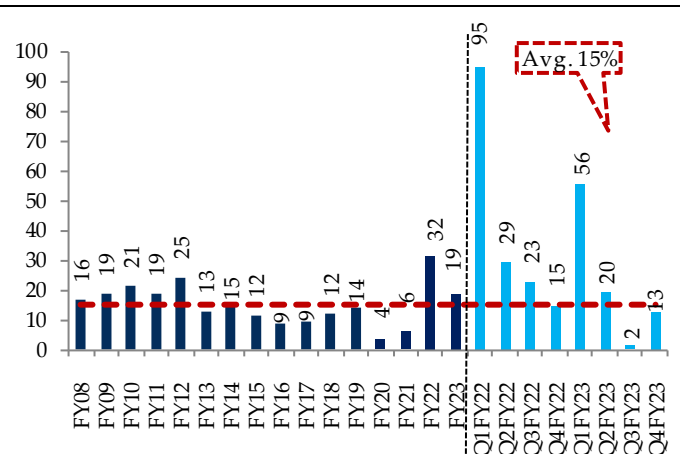
Source: Companies, HSIE Research

Footwear



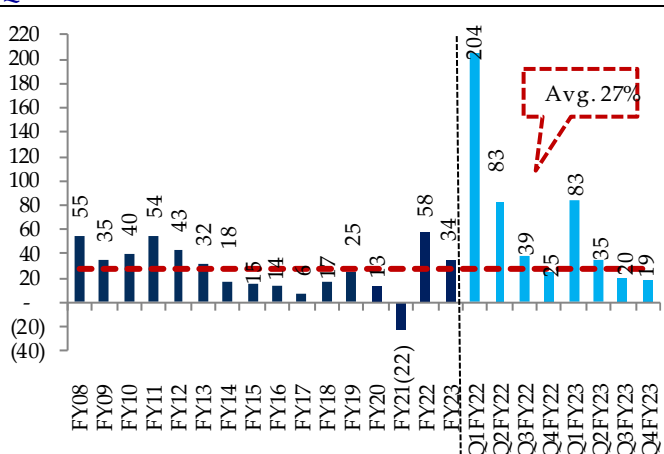
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Paints



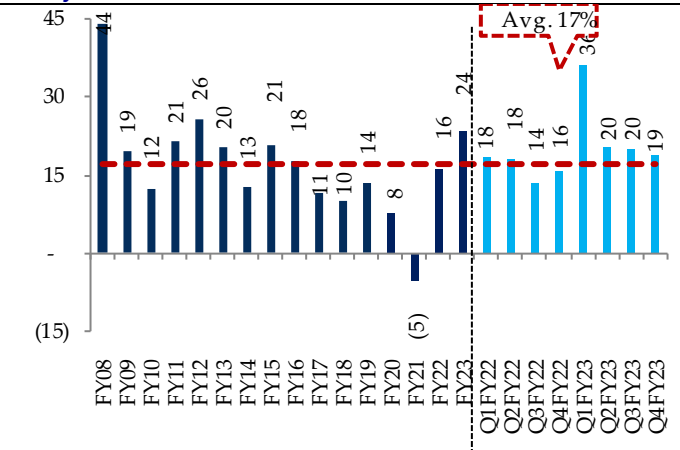
Source: Companies, HSIE Research

QSR



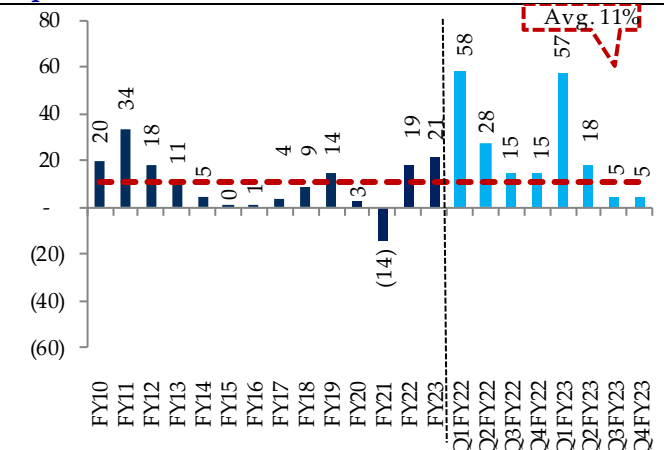
Source: Companies, HSIE Research

Dairy



Source: Companies, HSIE Research

Liquor



Source: Companies, HSIE Research

Commodity trend

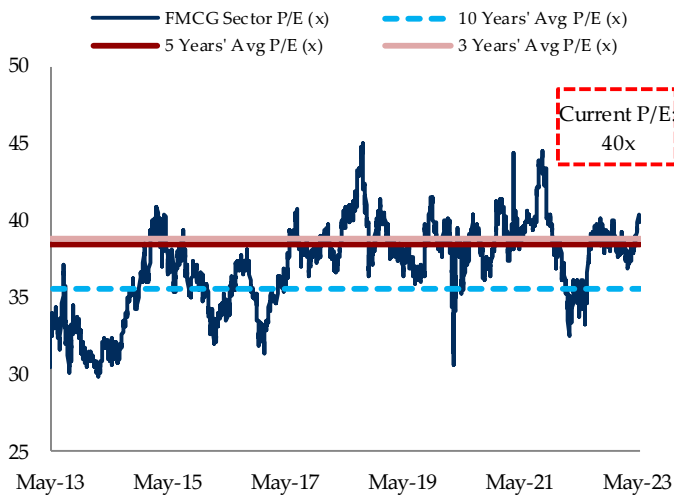
After witnessing unprecedented commodity inflation post Covid, prices have cooled off over the past 12 months. Most crops (wheat, barley, maize, copra, etc.) along with palm oil, crude oil, and crude derivatives have all seen meaningful price correction in recent months. This has aided sequential improvement in gross margins across most of our coverage universe. We expect sustained improvement in gross margins across most FMCG companies in the coming quarters.

Commodities	Unit	MoM (%)	3M (%)	12m (%)	24m (%)	5 Yr (%)	10 Yr (%)	Categories Impacted
Beverages								
India Tea	INR/KG	(9)	16	0	(8)	20	25	Tea
Coffee Arabica	\$/lb	(3)	(5)	(16)	28	84	111	Coffee
Cocoa Beans	USD/MT	4	7	33	40	43	91	Chocolate
Liquid Milk	INR/LTR	(2)	(2)	-	41	62	62	Dairy
Fruit Pulp	WPI Index	8	19	(5)	6	22	89	Fruit Juice
Crops								
Wheat India	INR/Quintal	(3)	(9)	9	22	26	49	Biscuits
Barley	INR/Quintal	(8)	(27)	(37)	4	33	52	HFD
Maize (Corn)	INR/MT	(7)	(20)	(34)	39	39	33	Oral Care
Copra	INR/Quintal	(2)	(7)	(11)	(38)	(32)	92	Hair oil
Safflower Oil	INR/10KG	(13)	(19)	(45)	(45)	31	34	Cooking Oil
Sugar India	INR/100kg	(0)	5	3	11	30	14	F&B
Amla	WPI Index	18	22	2	7	26	109	Hair oil
Oil								
Brent Oil	INR/BBL	(2)	(8)	(31)	26	24	10	Packaging & Transport
Palm Oil	INR/MT	4	(18)	(43)	(9)	56	47	Soaps, Skin care
LLP	INR/lt	1	2	9	31	68	57	Hair oil
Crude Oil	INR/Barrel	(4)	(5)	(33)	25	33	13	Packaging & Transport
Mentha Oil	INR/kg	(2)	(6)	(4)	8	(4)	28	Hair oil
Packaging								
HDPE	INR/kg	(3)	(11)	(22)	1	(8)	9	Packaging
Miscellaneous								
Caustic Soda	INR/50kg	(2)	(11)	(13)	49	83	107	Soaps
Titanium Dioxide	INR/KG	-	(1)	(11)	36	54	81	Plastic, Foods, Cosmetics, Toothpaste
Linear Alkyl Benzene	WPI Index	(3)	0	(10)	9	37	14	Detergents

Valuation trend

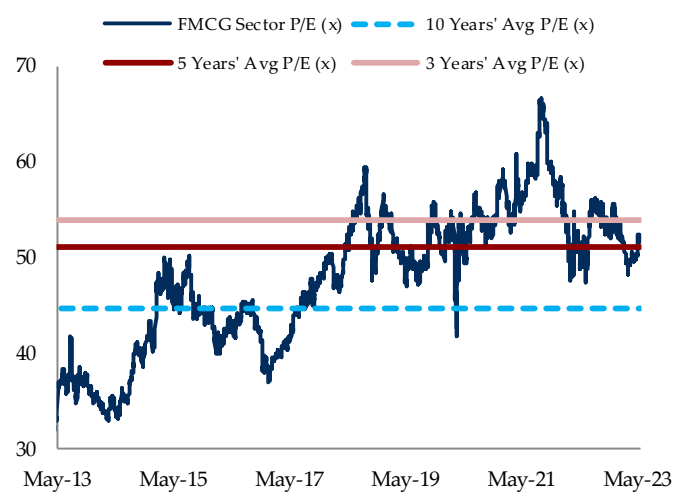
FMCG universe has outperformed the Nifty-50 in the past 12 months. Within the FMCG universe, ITC, Nestle, Britannia, GCPL and Radico have outperformed the Nifty-50 in the past 12 months, while HUL, Dabur, UNSP, Marico, Colgate and Emami have underperformed the Nifty-50.

Sector P/E (12-month Rolling Forward)



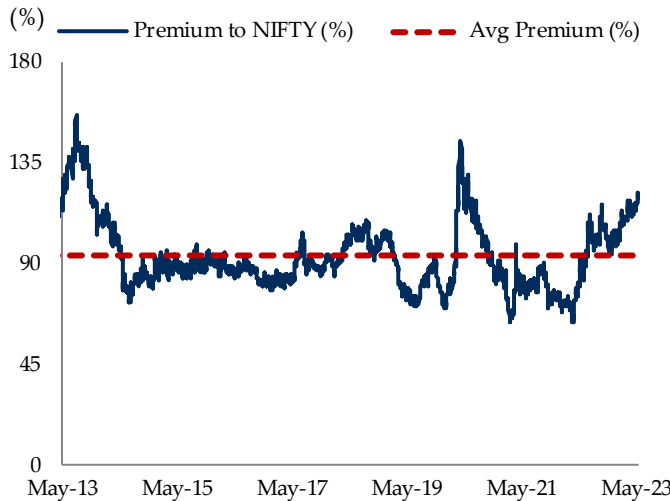
Source: Companies, Bloomberg, HSIE Research

Sector (Ex-ITC) P/E (12-month Rolling Forward)



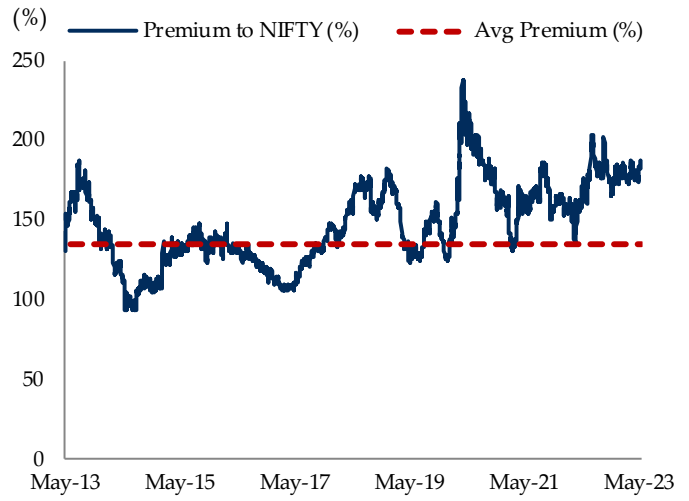
Source: Companies, Bloomberg, HSIE Research

Sector Valuation Premium (12-month) Over Nifty 50



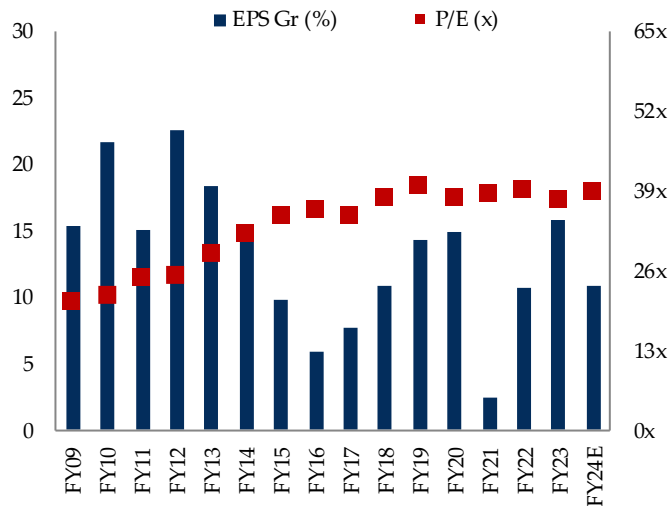
Source: Companies, Bloomberg, HSIE Research

Sector (Ex-ITC) Valuation Premium (12-month) Over Nifty 50



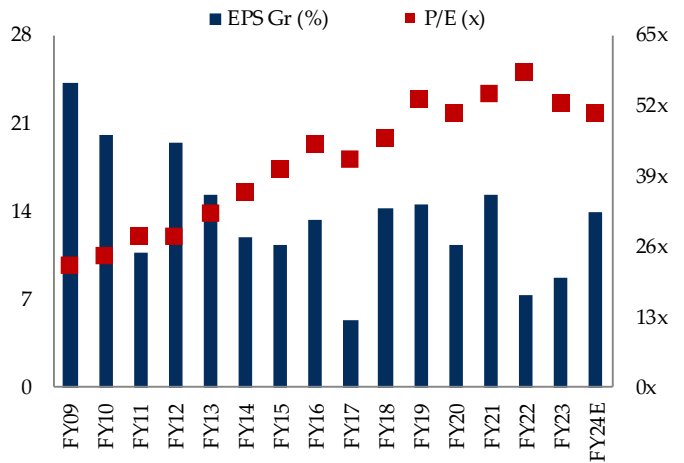
Source: Companies, Bloomberg, HSIE Research

FMCG Universe: Earnings vs. Valuation



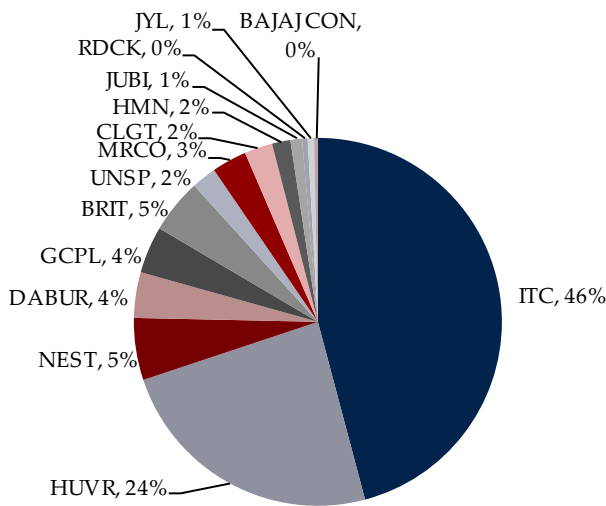
Source: Companies, Bloomberg, HSIE Research

FMCG Universe: Earnings vs. Valuation (Ex-ITC)



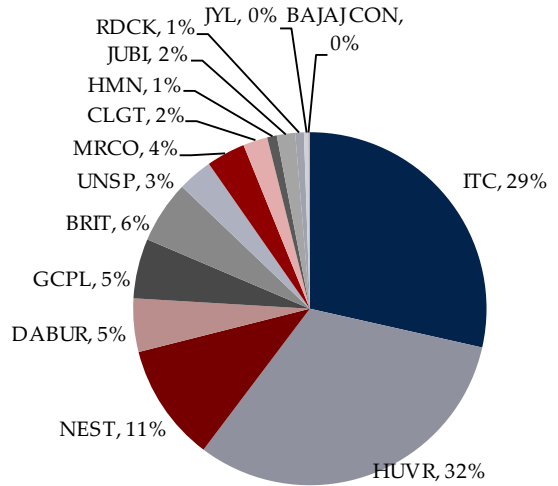
Source: Companies, Bloomberg, HSIE Research

FMCG Universe: Profit Mix



Source: Companies, Bloomberg, HSIE Research

FMCG Universe: Market Cap Mix



Source: Companies, Bloomberg, HSIE Research

FMCG Universe: Valuation Trend

P/E (x)	1 Yr Fwd P/E (x)				P/E Re-rating/De-rating		
	10 Yr	5 Yr	3 Yr	Current	10 Yr	5 Yr	3 Yr
Emami	34	29	27	23	-35%	-22%	-17%
ITC	24	20	18	26	10%	33%	48%
UNSP	121	62	58	53	-56%	-14%	-9%
Radico	25	32	41	44	73%	35%	7%
Marico	41	45	46	45	11%	1%	-3%
GCPL	41	47	47	49	18%	4%	4%
Britannia	41	48	48	48	16%	-1%	0%
Colgate	39	39	39	37	-5%	-5%	-4%
Dabur	44	52	54	46	5%	-12%	-15%
HUL	49	58	58	54	10%	-6%	-6%
Nestle	58	67	72	68	16%	1%	-5%
Jubilant	79	82	92	70	-11%	-15%	-23%
FMCG	37	39	39	40	9%	4%	4%
FMCG (Ex-ITC)	48	54	55	52	7%	-4%	-6%
Nifty-50	19	20	20	18	-6%	-10%	-10%

FMCG Universe: Stock Performance

Companies	1W (%)	1M (%)	3M (%)	6M (%)	12M (%)	3Yr (%)	5Yr (%)
HUL	0.5	7.9	7.7	(1.3)	13.7	29.4	67.8
ITC	5.7	5.5	19.2	32.1	66.8	127.6	65.2
Nestle	1.1	(0.1)	16.4	7.7	23.2	23.9	131.5
Dabur	5.0	2.9	3.0	(6.8)	10.2	17.6	45.5
Britannia	1.7	0.5	2.5	4.9	28.6	35.9	58.6
GCPL	3.0	15.4	13.4	18.8	33.6	65.2	38.6
UNSP	5.2	11.5	17.0	(7.1)	11.4	45.9	27.9
Marico	2.6	9.6	10.6	7.3	3.4	58.3	70.8
Colgate	(0.4)	0.7	9.0	(1.6)	0.9	15.4	29.3
Emami	2.0	6.8	0.3	(16.3)	(2.2)	105.6	(23.7)
Jubilant	2.7	8.1	9.4	(11.8)	(6.6)	45.6	92.5
Radico	(0.6)	2.9	(0.1)	9.4	42.2	251.1	143.4
Jyothy	(1.1)	6.5	9.0	2.2	34.2	95.8	(3.3)
Bajaj Corp	(1.8)	15.8	12.2	10.8	33.1	38.2	(60.6)
Tata Consumer	3.7	4.0	11.0	(2.9)	9.5	116.5	200.3
NSE FMCG	3.2	5.9	12.7	11.2	32.4	72.8	76.7
Nifty 50	1.6	3.0	7.5	(0.9)	13.7	94.1	75.2

Note:

Green indicates outperformance to Nifty 50 during the respective period

Red indicates underperformance to Nifty 50 during the respective period

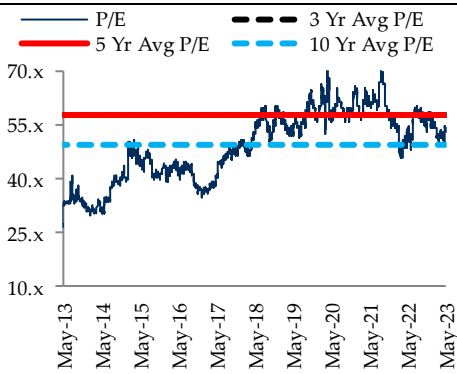
Valuation Summary

Company	MCap (INR bn)	CMP (INR)	Reco.	TP (INR)	EPS (INR)			P/E (x)			EV/EBITDA (x)			Core RoCE (%)		
					FY23/ CY22	FY24E/ CY23E	FY25E/ CY24E	FY23/ CY22	FY24E/ CY23E	FY25E/ CY24E	FY23/ CY22	FY24E/ CY23E	FY25E/ CY24E	FY23/ CY22	FY24E/ CY23E	FY25E/ CY24E
HUL	6,385	2,717	REDUCE	2,450	43.4	47.9	52.6	62.7	56.7	51.6	44.6	39.8	36.1	20.5	22.0	23.6
ITC	5,518	444	ADD	395	15.7	16.8	18.0	28.4	26.4	24.7	20.2	18.6	17.3	52.3	55.1	58.9
Nestle	0	22,050	REDUCE	18,500	251.4	311.9	351.3	87.7	70.7	62.8	55.3	46.4	40.8	52.0	57.3	52.4
Britannia	1,122	4,656	REDUCE	4,150	84.5	94.3	104.4	55.1	49.4	44.6	39.4	34.8	31.5	57.3	70.9	77.6
Dabur	987	557	ADD	560	9.6	11.6	13.2	58.0	47.9	42.2	43.4	37.3	32.0	46.5	46.5	52.6
GCPL	1,005	983	ADD	950	17.1	21.1	23.7	57.4	46.6	41.5	41.6	39.8	32.0	16.9	16.4	16.4
Marico	710	550	ADD	565	10.1	12.0	13.4	54.5	46.0	41.0	39.2	33.4	30.1	53.1	61.4	68.1
UNSP	635	874	ADD	875	12.7	15.7	18.9	68.8	55.7	46.3	44.0	35.8	30.3	19.1	22.4	24.4
Colgate	437	1,608	ADD	1,700	38.5	42.5	46.2	41.8	37.9	34.8	27.7	25.3	23.2	105.1	128.7	143.3
Emami	176	398	REDUCE	385	15.5	17.7	18.4	25.7	22.4	21.6	20.1	16.9	15.5	33.3	40.6	43.7
Radico	159	1,198	REDUCE	900	15.3	23.6	29.8	78.3	50.8	40.1	46.0	30.3	24.1	8.5	11.7	13.5

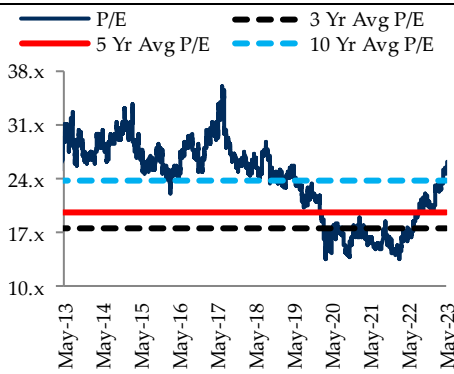
Source: Company, HSIE Research

FMCG Companies P/E Bands

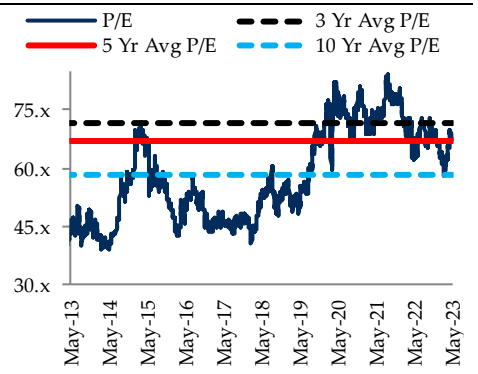
HUL P/E Band



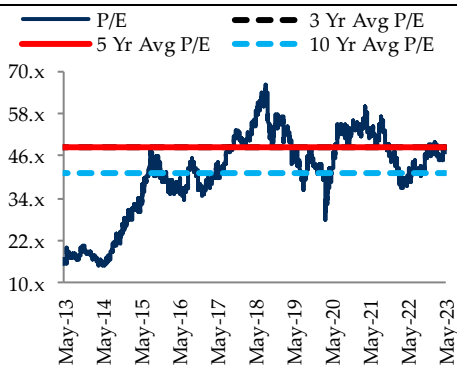
ITC P/E Band



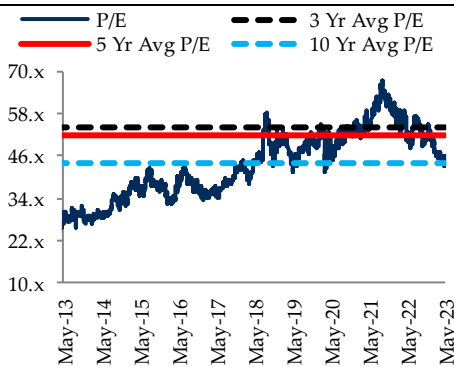
NESTLE P/E Band



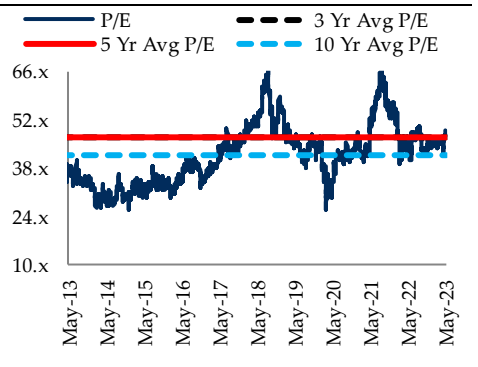
BRITANNIA P/E Band



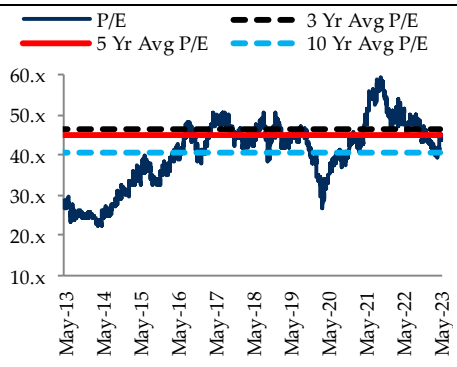
DABUR P/E Band



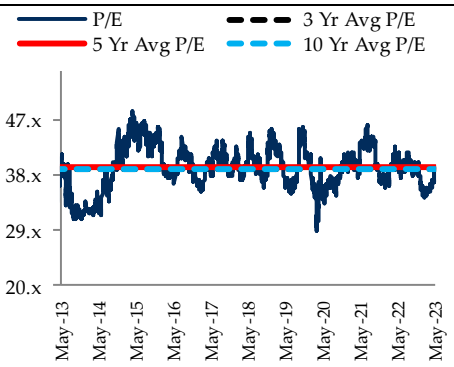
GCPL P/E Band



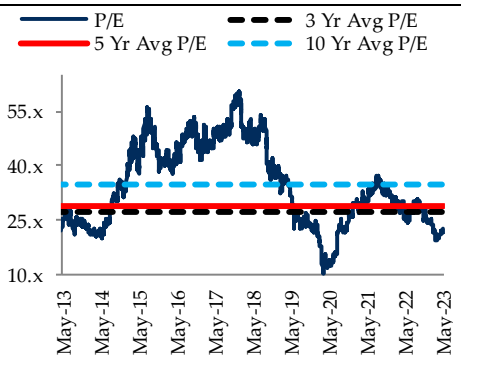
MARICO P/E Band



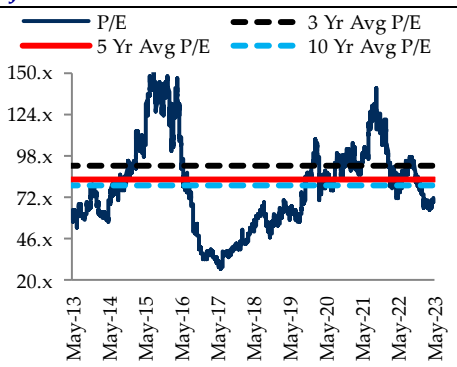
COLGATE P/E Band



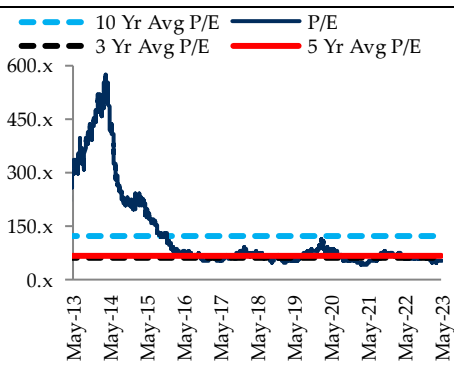
EMAMI P/E Band



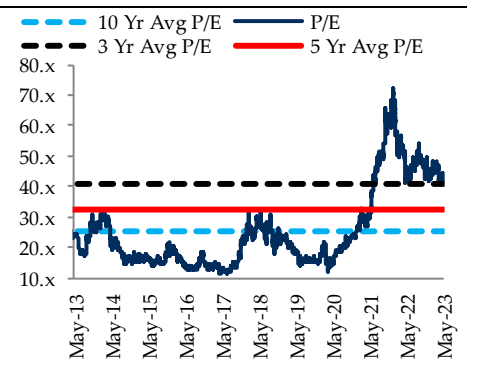
JUBILANT P/E Band



UNSP P/E Band



RADICO P/E Band



Source: Bloomberg, Companies, HSIE Research

Bloomberg consensus earnings trend (FY24E)

Red line – EPS FY24; White line – share price

HUL earnings trend



ITC earnings trend



NESTLE earnings trend



BRITANNIA earnings trend



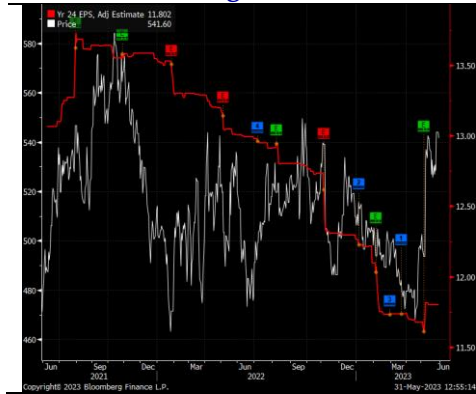
DABUR earnings trend



GCPL earnings trend



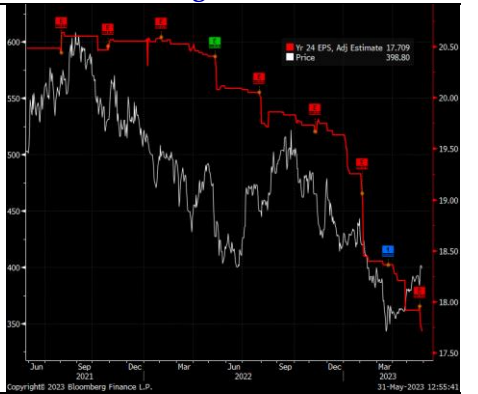
MARICO earnings trend



COLGATE earnings trend



EMAMI earnings trend



JUBILANT earnings trend



UNSP earnings trend



RADICO earnings trend



Source: Bloomberg, HSIE Research

Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

1 Yr Price Movement		
<p>Hind. Unilever</p>	<p>ITC</p>	<p>Nestle India</p>
<p>Britannia Inds</p>	<p>Dabur</p>	<p>Godrej Consumer</p>
<p>Marico</p>	<p>United Spirits</p>	<p>Colgate Palmolive</p>
<p>Jubilant Foodworks</p>	<p>Emami</p>	<p>Radico</p>

Disclosure:

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Any Holding: YES

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