CONSUMER STAPLES | Q3FY26 Preview | 12 January 2026

GST-led demand revival

- **GST rate cuts are expected to improve affordability in FY26, aiding volume recovery, particularly in mass and price-sensitive segments**
- **Margins are likely to expand gradually, aided by operating leverage and soft input costs, supporting steady profitability improvement**
- **GCPL, TCPL, and Marico are likely to outperform over peers and also benefit from moderating input costs**

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FMCG – Recovery building up

GST cuts across the key FMCG categories are expected to emerge as a significant growth catalyst in FY26. Although the reduction in GST rates from 18% to 5% was implemented in Sept'25, the benefit reached end-consumers with a lag given the higher-priced inventory in trade channels. Consequently, demand impact is likely to be visible from the Dec'25 quarter and extend through FY26. Improved affordability should support premiumisation, accelerate the uptake of price-point packs, as also drive a gradual shift from unorganised to branded products since relative price gaps compress post-GST.

Earnings downgrade cycle behind

Following an extended period of earnings downgrades, driven by volume deceleration and margin pressures, outlook for consumer staples is stabilising. Several large FMCG companies saw estimate cuts through 2HFY25 and 1HFY26, reflecting weak seasonal demand and adverse weather conditions that impacted categories such as RTD beverages and soaps. With these transitory headwinds largely abating, we believe downgrade cycle is behind us, paving the way for stronger EPS growth. Additionally, demand recovery in summer-linked categories appears well-positioned due to a favourable base, as an above-normal monsoon in 2025 curtailed peak summer consumption for products such as RTD beverages, personal care and paints. Assuming normal weather conditions in 2026, these categories could witness a sharp rebound in volumes.

Input cost deflation and favourable base support margin and volume upside

Margin environment for FMCG companies is becoming increasingly favourable, on the back of easing prices across key raw materials such as crude oil, palm oil, tea, coffee, cocoa and copra. This trend is expected to translate into gross margin expansion, reversing the compression witnessed during 2HFY25 and 1HFY26 amid elevated commodity costs. In parallel, volume growth in summer-linked categories is likely to benefit from a low base effect, as above-normal monsoon conditions in 2025 curtailed demand for products such as RTD beverages, personal care items and paints. Therefore, a return to normal weather conditions in 2026 could drive strong rebound in consumption across these segments.

Sector view

Growth impetus is expected to come from improved affordability encouraging down-trading resistance and premiumisation, stronger traction in price-point packs, and a gradual shift in consumption from unorganised to branded players as the post-GST price differential narrows.

Fig 1 – Q3FY26 Estimates

Companies	Q3FY26E (Rs mn)		Q3FY25 (Rs mn)		YoY Change (%)	
	Sales	EBITDA	Sales	EBITDA	Sales	EBITDA
Britannia	49,554	8,822	45,926	8,449	7.9	4.4
Dabur	33,280	5,080	33,553	6,819	(0.8)	(25.5)
Godrej consumer products	41,211	8,286	37,684	7,559	9.4	9.6
Hindustan Unilever	1,59,849	37,056	1,58,180	36,950	1.1	0.3
ITC	1,86,611	64,233	1,87,902	63,619	(0.7)	1.0
Marico	3,10,13	5,160	27,940	5,330	11.0	(3.2)
Nestle	52,267	11,201	47,797	10,849	9.4	3.2
TCPL	48,003	7,903	44,436	5,647	8.0	39.9
United Breweries	20,118	1,110	19,984	1,411	0.7	(21.4)
Zydus Wellness	5,935	2,17	4,619	1,48	28.5	46.9

Source: Company, BOBCAPS Research

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