

CONSUMER STAPLES

Q4FY25 Preview

15 April 2025

Rural demand and pricing are key monitorable

- Sales improve sequentially, but on inflation-driven pricing. Subdued vol. due to elasticity on new pricing+full quarter impact of carryover pricing
- March'25 volume trends in rural and exit run rate on pricing will be key for the FY26 outlook on sales and margins
- Easing food inflation, lower interest rates and rising income/demand on tax restructuring are positives, but inflation is a concern until 1QFY26

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4QFY25 summary: Sales trends likely improved sequentially, but on inflation-driven pricing. We see some downside risk to sequential volume trends on elasticity, due to new pricing and the full quarter impact of carryover pricing, partly offset by continued demand recovery in rural. EBITDA growth will lag sales growth on inflation in palm oil, wheat, coffee, tea, etc., which impacted gross margin percentage. The FMCG majors are rightly focused on restoring rupee margins given the high magnitude of inflation. Operating spending cuts will be a partial offset to commodity headwinds.

Key focus areas: (1) Sequential trends in rural / urban demand – Pace of acceleration in rural will be key for BRIT, MRCO, DABUR and HUL. While there may be commentary on demand pickup in urban by companies reporting in May, it would be too short a period to gauge a sustainable rate. **(2) Exit run rate on pricing** – Dec'24 quarter pricing by FMCG majors was insufficient to offset inflation. On our estimates, the lag effect led to quarterly inflation being higher in Mar'25 vs Dec'24. While additional pricing is taken across FMCG companies, timing varied. March 2025 exit run rate is key for the FY26 margin outlook. **(3) Outlook on commodities** – Inflation trends are mixed, with tea, coffee and sugar remaining elevated while palm, cocoa and wheat showing signs of tapering off. Relevant for the sector especially GCPL, TATACONS, BRIT, NESTLE and MRCO.

Our view: Rural indicators are favourable on easing CPI trend, agri output growth, and higher MSPs. Overall lower food inflation, potential urban demand boost from tax restructuring, and lower interest rates will result in a pickup in the overall FMCG demand and earnings trajectory for FY26E. However, we are cautious in the intermediate term, considering the inflation-driven pricing/volume elasticity dynamic.

4QFY25e	BOB EBITDA - YoY	Cons.* EBITDA - YoY	Date	Estimated / confirmed
HUVR	1%	0%	24-Apr-25	Confirmed
NEST	4%	-6%	24-Apr-25	Confirmed
TATACONS	2%	3%	28-Apr-25	Estimated
MRCO	3%	4%	02-May-25	Confirmed
DABUR	-10%	-2%	06-May-25	Confirmed
GCPL	-2%	-2%	07-May-25	Confirmed
BRIT	-11%	-4%	07-May-24	Estimated
ITC	-1%	-6%	07-May-25	Estimated

Sources: *Bloomberg, BoB Research



Fig 1 – 4QFY25 earnings forecasts (BOB and consensus vs last year)

(Rs mn)	Q4FY24	Q4FY25E	YoY vs BoB (%)	Consensus Q4FY25E	YoY vs Consensus (%)
FMCG Group					
Sales	548,748	582,579	6	567,190	3
EBITDA	145,963	145,260	0	141,327	(3)
EBITDA margin (%)	26.6	24.9	(167bps)	24.9	(168bps)
Britannia					
Sales	40,694	43,986	8	43,732	7
EBITDA	7,875	6,985	(11)	7,591	(4)
EBITDA margin (%)	19.4	16.5	(286bps)	17.4	(199bps)
Dabur					
Sales	28,146	27,918	(1)	28,657	2
EBITDA	4,668	4,186	(10)	4,593	(2)
EBITDA margin (%)	16.6	15.0	(159bps)	16.0	(56bps)
Godrej Consumer Products					
Sales	33,856	36,406	8	36,080	7
EBITDA	7,604	7,439	(2)	7,445	(2)
EBITDA margin (%)	22.5	20.4	(203bps)	20.6	(182bps)
Hindustan Unilever					
Sales	152,100	154,492	2	155,382	2
EBITDA	35,350	35,849	1	35,481	0
EBITDA margin (%)	23.2	23.2	(4bps)	22.8	(41bps)
ITC					
Sales	179,227	189,219	6	176,463	(2)
EBITDA	66,262	65,858	(1)	62,519	(6)
EBITDA margin (%)	37.0	34.8	(217bps)	35.4	(154bps)
Marico					
Sales	22,780	26,594	17	26,412	16
EBITDA	4,420	4,549	3	4,591	4
EBITDA margin (%)	19.4	17.0	(237bps)	17.4	(202bps)
Nestle					
Sales	52,676	57,004	8	55,067	5
EBITDA	13,488	13,964	4	12,636	(6)
EBITDA margin (%)	25.6	24.5	(111bps)	22.9	(266bps)
Tata Consumer Products					
Sales	39,269	46,959	20	45,397	16
EBITDA	6,296	6,429	2	6,471	3
EBITDA margin (%)	16.0	13.7	(234bps)	14.3	(178bps)

Source: Company, Bloomberg, BOBCAPS Research

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