

We visited Hyderabad and Chennai with a group of investors, to understand the pulse of consumption trend in South India. Interactions with sector experts and supply-chain partners suggested a) persistent slowdown in FMCG demand, b) innovation contribution shrinking from large players, leading to growth slowdown, c) channel hygiene remaining an issue with general trade (GT) distributors, and d) quick commerce (QC) disrupting modern trade (MT) and GT channels. Incremental growth is shifting to brands that address channel issues and cater to consumer needs better. We continue to prefer companies with better execution and portfolios aligned with consumer needs. We maintain BUY on GCPL, Marico, Bikaji, Emami, and Gopal Snacks.

### FMCG players are still lagging in execution

The South, known for relatively high literacy and more premium consumption, has seen a relatively higher concentration of modern retail channels. Companies have tapped into opportunities in modern retail formats which have disrupted GT channel's hygiene. Hygiene issue is more prominent for Dabur and Nestlé India. In Hyderabad, QC scale-up has impacted GT and MT channels; in Chennai, though, the impact is only limited to GT. Modern retail formats have seen healthy growth in staples (mostly private labels), where the market is formalizing fast with more channel-controlled consumers. Large players are not keen on staple items, given the low-margin profile. Tata Consumer is executing relatively better and seeing improved growth. In Oral care, Colgate has improved execution and gained shares from HUL. In laundry, the shift to liquids has accelerated, with company participation widening. In Biscuits, Britannia has a strong pull, but its lack of innovation has a bearing on growth. Reliance Consumer remains slow in execution in non-beverage FMCG but is slowly building distribution muscle with tier-1 distributors.

### ITC stays dominant in cigarettes; GPI looks at distribution; VST focuses on value

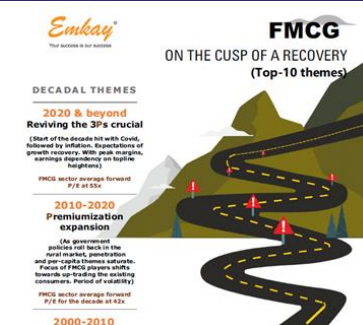
Channel hygiene issues also extend to cigarettes, with wholesalers easily moving products to different markets, following the removal of central sales tax after GST implementation. Porous borders have also led to a surge in illegal volumes. Godfrey Philips India's (GPI) *Marlboro* brand has seen healthy growth in the South; however, a good part of the volume moves to its core markets. Building distribution would be key for GPI in the South. VST has lagged in execution despite better market understanding. Our ground checks suggest that VST's focus is on the KSFT segment, with affordable offerings like *Edition Trio/Edition Trio Double* priced at Rs10/12, respectively. ITC has been focusing on *Classic Icon* in select markets, with better trade-channel pricing.

### Focus on basics key ahead; growth recovery crucial for valuation

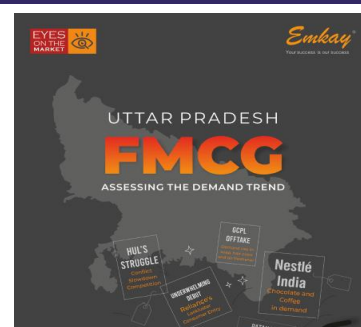
Consumers are gravitating to value-offerings in select categories, where new players have emerged or existing ones are pivoting by addressing consumer and trade needs (like Campa in beverages, Birla Opus in Paints and value formats in apparel). Ahead, large FMCG companies need to align with consumer needs and improve servicing of supply-chain partners, otherwise their growth will likely remain muted.

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### Top 10 themes



### Uttar Pradesh Checks



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### Rating, Target Price and Valuation

	Rating	CMP (Rs)	TP (Rs)	Upside (%)	P/E (x)		EV/EBITDA (x)		RoCE (%)	
					FY26	FY27	FY26	FY27	FY26	FY27
Bikaji Foods International	BUY	706	775	10	64.0	49.4	41.7	33.6	20.0	22.6
Britannia Industries	REDUCE	5,570	5,500	(1)	54.6	48.8	36.5	33.1	52.4	49.8
Colgate-Palmolive	SELL	2,410	2,000	(17)	44.5	41.0	34.6	31.9	116.9	125.1
Dabur India	REDUCE	468	450	(4)	44.3	39.2	32.6	29.1	21.4	23.3
Emami	BUY	556	750	35	26.1	24.0	25.1	22.9	32.8	29.0
Godrej Consumer Products	BUY	1,171	1,400	20	49.0	42.1	36.4	31.9	23.1	26.3
Gopal Snacks	BUY	358	500	39	45.2	27.9	21.2	15.1	28.7	35.7
Hindustan Unilever	ADD	2,275	2,400	5	49.8	44.6	35.7	32.2	30.5	34.0
ITC	ADD	414	475	15	23.8	21.2	17.9	15.4	41.7	44.1
Marico	BUY	694	810	17	49.6	43.1	37.0	32.0	40.8	43.1

Source: Company, Emkay Research

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## Key actionables: Company-specific feedback

Our week-long trip to South India, covering Telangana and Tamil Nadu, suggests that consumers prefer brands, which offer value. Across consumption categories, we noticed branding aligning with value. FMCG companies have distorted the brand and value equation which affects growth. Consumers are increasingly consuming products, which are more customized and address their needs better.

From a trade perspective, the lack of trust in companies continues to increase, thus impacting growth. Post-GST, inter-state movement of goods got a further push which, along with evolution of modern trade, led to channel hygiene issues in FMCG categories. Additionally, FMCG companies have leveraged their digital capabilities to address trade needs better but reduced their personal connections which has hurt relationships.

Subdued demand has a bearing on performance despite select FMCG companies being attentive and driving growth with execution. Innovation-driven growth is largely absent for most traditional players. Among FMCG names, Marico and Tata Consumer have relatively better execution. Execution waned for Dabur and Nestlé India in the last one year. In cigarettes, ITC maintains its dominance, but steady aggression from GPI and the expected surge in action from VST would be key to watch. In paints, Birla Opus has created a positive perception with better quality products, a higher trade margin and improved post-sales service.

Here are key insights around consumer companies:

- **Colgate - Executing better, but demand stressed:** In Oral care, Colgate has improved its execution in South India, attracting consumers from HUL's *Close Up* to *Colgate Dental Crème*. Colgate India has been aggressively promoting its premium offerings across channels. Consumer connections for Colgate have seen improvement. However, the slowdown in category growth has a bearing on the company's performance.
- **Marico – Hair oil growth slows; rest of the portfolio better placed:** In coconut hair oil, Marico has lost its edge as it now has high-cost inventory (Copra spot price surged to Rs240/kg) which leads to shortage of supply from the company. Smaller players with low-cost inventory are doing relatively better. In other segments, the company has better execution. For newer brands like *Plix*, *Beardo* and *Just Herbs*, the trade channel is seeing better offtakes.
- **HUL - Seeding shares, needs to enhance execution:** HUL has a high share in household grocery spending. However, improved execution by small players is meeting consumer needs better, leading to a shift in market share. The company's leadership position, though, has been maintained. In liquid laundry, HUL remains the category leader with its *Surf Excel* brand. However, owing to improving category penetration, smaller players are gaining shares. In Oral care, the company has increased promotions amid competition from Colgate. In Tamil Nadu, HUL retains its leadership in tea. In Telangana, the company reduced stocking to nil, operating per 'just in time' model.
- **Nestlé India – Channel hygiene issues hurting GT:** Unlike other FMCG players, post-Covid, Nestlé India has better control on channel hygiene as it has restricted supplies to modern trade beyond a certain limit. In select markets, trade partners noted issues, eg in Hyderabad, supplies to pharmacy chains get moved to general trade. In prepared dishes, the company is grappling with competition in Telangana, but the pressure is limited in Tamil Nadu. Coffee and confectionaries have been hurt by steady price hikes, amid inflation. In Confectionaries, the absence of own visi cooler has a bearing on segment performance.
- **Britannia – Biscuit dominance; absence of innovation hurts growth:** In Biscuits, Britannia remains dominant but its lack of innovation in the past year is bothering trade. In Chennai, the trade channel is battling unhealthy category perception, which is hurting growth. Execution in dairy has improved, aiding growth. Cakes and rusk portfolios are seeing better growth. In rusk, the company has increased variants.

**Quick commerce has a bearing on both retail and modern trade channel growth.**

– Distributor

**Traditional FMCG companies have reduced their connection with supply-chain partners which has distanced companies from the ground reality.**

**– Super Stockists catering to multiple brands**

**Post-GST, hygiene issues in trade cropped up which further accentuated post-Covid, with FMCG companies focusing on modern trade.**

**- Industry expert**

**Differential SKU across channels does not work, as companies are not monitoring sales-counter SKUs.**

**- Distributor**

- **Dabur – weakness on all counts:** Dabur's distributors are the worst affected in FMCG, as the company is slow in addressing trade needs. A common grudge against the company is that trade sees products with better growth in the North being pushed in the South, where product needs are in fact limited. The company has focused on growth channels which led to hygiene issues. Now, it has dedicated SKUs for each channel, but there is no monitoring of SKUs on the retail channel. Its strategy of pricing products higher and then offering discounts to consumers also has a bearing on product pull.
- **Tata Consumer – Relatively better execution:** Our checks with supply-chain partners suggest relatively better execution from Tata Consumer in FMCG. The company has enhanced its execution in the inorganic business, comprising the Capital Foods portfolio and *Organic India*. The company was focused on ensuring its new inorganic portfolio was well placed in the trade channel last year; now, the focus is enhanced with apt schemes and visibility drives. These actions match with accelerated growth in the portfolio. The company's new organic portfolios under *Sampann* range and *Soulful* are also seeing better growth. In Tea, its *Chakra Gold* in Tamil Nadu is competing neck to neck with HUL's *3 Roses*. In Salt, trade noted better prospects for pink salt and rock salt. In Hyderabad, the supply-chain partner noted Tata Consumer facing supply issues in Salt and the *Sampann* range, but the rest of the portfolio is better placed. *Sampann's* price premium has been a hurdle for brand growth, but price volatility offers an opportunity. Tata Gluco+ is seeing healthy offtake, given the attractive price of Rs10 in general trade.
- **ITC – Cigarettes seeing competitive aggression:** ITC is likely to see persistent competitive pressure in cigarettes, where GPI continues to spend aggressively and VST is likely to up the ante with innovations under the *Editions* brand (in KSFT, launched cigarettes priced at Rs10/12). The company has proactively been pushing *Classic Icon* in the market with aggressive trade pricing. Overall, in Cigarettes, the company is proactive vs reactive in the North and West markets.
- **Godfrey Philips (GPI) – looking to set up distribution:** Like in the North and the West, GPI has been aggressive in gaining ground. With new offerings like *Marlboro Compact*, the company is looking to break into the RSFT segment. Speaking to traders, we realized that a part of supplies for the market has been shifted to West India. There is an arrangement between GPI and Philip Morris, where select cities in Maharashtra have direct distribution restrictions in RSFT for *Marlboro* brand.
- **VST Industries – enhanced focus on Editions brand:** Post-Covid, VST Industries' (the No 3 player in cigarettes) execution has been weak. But after 1.5 years of launch of its innovative *Editions Trio*, the company may become aggressive. Recently, it rolled out brand extension into *Editions Trio Double Burst*. The products are attractively priced at Rs10/12.
- **Reliance Consumer – Expanding distribution for laundry and edible oil:** Reliance is gradually working on building distribution muscle beyond beverages. Unlike in the past, it is now targeting tier-1 distributors who have complaints against base companies owing to weak RoI. While the company lacks aggression (as seen in beverages), it is looking to make *Enzo* laundry offerings and *Independence* edible oil available on the GT channel.
- In Salty Snacks, our covered companies like **Bikaji and Gopal Snacks** have no presence in the GT channel; however, select brands are available in MT. Haldiram has fair business from the modern trade channel. The category continues to see dominance by regional players.
- In paints, **Birla Opus** continues to gain shares from **Asian Paints** on better-quality offerings, good trade margin, and relatively better handling of trade complaints. Birla Opus has now restricted tinting machine supplies to dealers placing sizeable orders. **JSW** has made inroads with same pricing across color options, but lags in post-sales service.

## FMCG: Market insights

- **Channel hygiene issues remain:** The FMCG sector is in a slow lane in Southern states, where trade partners noted continued channel disruption since implementation of GST. Pre-GST, trade noted Central Sales Tax having a bearing on inter-state movement of products. Some of the channel partners are leveraging higher-margin opportunities and moving products to different markets. These issues were initially started by wholesalers, then by modern trade and now by pharmacy players.
- **Differential SKU strategy is effective:** Many FMCG companies have implemented supply of differential SKUs across channels to keep hygiene intact. But the issue remains in general trade, as on-the-counter SKU sales monitoring is not in place.
- **Innovation and advertising crucial for growth:** In South India, consumers prefer branded products; thus, companies have been attentive to consumers' need with innovation and advertisements. In the last few years though, innovation and advertisements have been compressed, thereby impacting growth trends. New-age brands are seeing good growth, as they are attentive to consumer needs.
- **Distributors remain negative on FMCG distribution:** Distributors are seeing slowdown, owing to demand stress and a gradual shift/ reduction in business. For large modern trade chains, entities have adopted centralized ordering, with chains having set up distribution centers (DC). Thus, FMCG companies are moving supplies directly, given better service and cost effectiveness. This has led to a shift/ reduction in business for distributors. In Chennai, distributors fear that once DMart sets up its distribution center, they might lose the account. In Telangana, a few distributors noted supplies to Vijetha Supermarket continuing even after the DC set-up but are still afraid of losing business.
- **Consumers seek better-priced products; aggressive discounts a negative:** FMCG companies have been hiking prices regularly and have developed the practice of offering discounts. This trend has been different from high-priced SKUs in general merchandise business, where consumers seek discounts. In FMCG, given the lower price point, this trend is turning negative as consumers believe sub-par products (with lower value) are being pushed. Consumer preference is for aptly priced products. Aggressive discounting has a bearing on brand perception. As a practice, large FMCG companies have increased product pricing, where retail margins are enhanced. This has led to a hygiene issues.
- **Organic staple products are seeing faster growth:** The regulatory setting improved 8 years back, after which Big Basket started to focus on organic staples. Large players are not active, as any lapse in formality will lead to suspension of the brand and halting of operations for 6 months. This provides opportunities to smaller players to make a mark in organics. ITC has acquired *24 Mantra* with a view to tap into the market with a separate brand. *24 Mantra* has its procurement and processing centers – 3 units. For Organic products, there is a price premium to normal produce. Higher costs are due to documentation and maintenance costs. Maintenance costs involve costs to maintain certificates, audit renewal costs, verification costs, and multiple certifications.
- **Private labels in quick commerce are doing better:** Private labels are active mostly in food products (mainly staples) and household cleaning segments. Quick commerce drives better sales in private labels, as the channel has better control over consumers. Big Basket has been able to gain leadership position with its private labels on own platform, in select staple categories, in Hyderabad.
- **Quick commerce has a visible effect on modern trade and general trade sales:** In Hyderabad, modern trade and general trade channels have seen impacts from consumers using quick commerce. Select cash and carry players have noticed a 30% drop in retail footfalls. In Chennai, quick commerce has affected sales from general trade, while modern trade sales are growing, albeit the pace remains muted.
- **Digitization and automation have bearings on trade relationships:** As FMCG companies continue to focus on efficiency benefits, personal connects have diluted. Personal contacts have helped companies to build portfolios in the past. However, the shift to digital tools has aided streamlining processes.

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## Competitive trend by category

- In **Oral care**, historically, *Close up* has been a bigger brand in Telangana, but is now losing share. Colgate has increased its intensity and sees faster growth in *Colgate Dental Creme*.
- **Liquids** across FMCG segment have seen widening penetration. The trend is more prominent in household care, followed by handwash and shower gel. Laundry continues to see a shift in consumption to liquids, where competition is expanding. Reliance Consumer has been gradually building its distribution for *Enzo* brand.
- In **Soaps**, Santoor and Mysore Sandal are the leading brands in Telangana, followed by Lux and Rexona. Category growth has a bearing on the consumer shift toward liquid hand wash, from soaps. Due to costly raw materials, select SKUs saw price hikes in Apr-25.
- **Biscuit** as a category is grappling with unhealthy perception, with consumers seeking better alternatives. Earlier, biscuits were often options for school tiffins, but the negative perception around it has impacted its category positioning. In Telangana, ITC is seeing relatively better growth; in Tamil Nadu, Britannia continues to lead growth.
- In **Hair oil**, coconut hair oil demand remained stressed amid steady inflation in Copra prices. Marico's supply of Parachute has been constrained, given high-cost inventory procurement. On a spot-price basis, Copra prices have seen 20% inflation in Jun-25.
- In **Salt**, Tata Consumer continues to do well, with enhanced portfolio actions. ITC has turned aggressive in the category, offering salt packs free with Aashirvad atta. Premium variants are seeing relatively better growth, though their share in the category is limited.
- **Spices** as a category is tough to crack for national players, as each market has a dominant regional player. Tata Consumer is looking to participate, but offtake is low. Nestlé India is relatively better placed but has limited offerings.
- In **Staples**, amid large FMCG names, Tata Consumer is active under the Sampann brand. As the offering includes branded price premium, turns have been low. In a volatile price setting, the brand pull turns better as consumers' understanding of market price turns is limited. Private label brands have seen a decent scale-up in modern retail channels. Incrementally, we have seen a focus on upgrading consumers from 1kg SKUs to 2kg SKUs, with decent price discounts.
- **Energy drink** penetration has improved. As Pepsi Co has worked on affordability and accessibility with *Sting*, growth in the category has been accelerated. Trade remains positive on category prospects.
- In **cigarettes**, the innovation intensity has seen a surge. Capsule, after seeing healthy growth post-Covid, is now settling at ~18% of industry volumes. Growth in capsules is in line with industry growth. Slims are seeing faster growth, with consumption trend being unisex.



## Cigarettes: Legal volume improves; ITC needs to be attentive to competitive actions

GST implementation had a bearing on the cigarette sector, as lifting of inter-state movement of goods (restricted via Central Sales Tax) affected channel hygiene. Steady taxation has helped arrest illegal volumes, but illegal supplies continue to flow in. Actions or restrictions from companies are largely non-effective now. GPI and VST are increasing intensity on the ground with higher spending. Marlboro is driving volumes for GPI, with select dealers noting states' supply of *Marlboro Advance Compact* (in RSFT) moving to Maharashtra, as Godfrey Philips India (GPI) and Philip Morris India (PMI) are in a pact to not supply RSFT offerings directly to select markets. VST has been focusing on *Editions* brand to cater to value-seeking consumers with new offerings; consumer feedback has been positive.

- **GST implementation drove structural challenges for the industry:** In cigarettes, distributors have noted a surge in infiltration in states and a spike in illegal supplies, with the implementation of GST. Before GST, each state had a closed border, as inter-state movement used to attract taxation. From the South market's perspective, Karnataka is a large KSFT market, followed by Telangana. Kerala is an RSFT market. Tamil Nadu has a fair balance between KSFT and RSFT.
- **FDI restrictions on licensing and marketing seem unlikely, given the US' association.** Per trade partners, the government cannot impose prospective restrictions suddenly, and retrospective restrictions will affect US relationship. If made effective, this will affect BAT brands. In South India, GPI's own portfolio is not doing well; as such, the focus is on *Marlboro* brand.
- **GST changes are likely in Jul-25:** The GST Council is looking to meet in Jul first week to decide removal of the 12% slab. Of the 40 items, some items are expected to move to the 18% slab and some will shift to 5%. This will lead to a shortfall in taxes which can be met by an increase in taxes on Sin goods like cigarettes and beverages. Compensation tax is likely to end from Mar'26; the tax might move to normal GST rate.
- **New offerings:** Capsule now accounts for 18% of the industry volume and is seeing growth in line with the industry. It is no longer a user recruitment tool. Slims, on the other hand, saw good acceptance. Slim as a segment has evolved fast in Southeast Asia, particularly in Indonesia and Malaysia, positioning for women when it was launched 20 years back. However, it now sees traction from both genders.
- **RSFT segment is growing fast:** Cigarettes is seeing faster growth in RSFT segment, priced at Rs10-12 per stick. This segment has seen multiple launches by incumbents. ~25% growth in the industry is driven by innovation, where VST lagged. The company is facing sales pressure and market-share loss. ITC is focusing on volume growth over dedicated brands push.
- **GPI increased market investments:** Marlboro has been aggressive in the market, where brand spending matches with ITC's. ITC is the leader with 75% share, while *Marlboro* brand has a single-digit share. GPI's RSFT offering, *Marlboro Compact* has made inroads, as the brand has focused on consumer affordability. Interestingly, GPI, under an arrangement with Philip Morris, has restricted Western distributors from stocking *Marlboro Compact*, as it hurts GPI's RSFT segment sales. To this end, some of the distributors of Telangana have started supplying to Western markets (~25% of Compact sales in Telangana have moved to other states).
- **With *Edition*, VST is looking to address value needs of consumers:** In Telangana, the RSFT segment is growing fast with products priced at Rs10-12, where the youth and middle class are key consumer classes. VST is looking to address consumer needs, with KSFT offerings priced at Rs10 (*Edition Trio*) and Rs12 (*Edition Trio Double*), with innovative launches between full and slim cigarettes.
- **ITC is looking to counter competition:** ITC has incrementally seen a surge in competitive pressure, with GPI and VST keen to drive volume growth. Select new offerings like *Classic Icon* are aggressively priced on the trade channel.

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## Paints: Birla Opus continues to win shares, addressing the needs of trade and contractors

Overall, paints segment has been grappling with demand stress, with an evolving competitive landscape. Birla Opus has understood market's needs and has been convincing on the trade channel so far. With better-quality products and most of the capacity in place, Birla could corner Diwali market in North India. In the South, category leaders are needed to address trade needs or else the market will shift toward Birla Opus. In Chennai, Birla Opus is now a No 2 player with ~8% share while in Tamil Nadu, its share is ~7%. Asian Paints and Nippon Paints are major market-share losers, while Berger sustained its share with focus on newer segments.

- **Market size:** Tamil Nadu, Karnataka, Andhra Pradesh, and Telangana markets are of ~Rs50-Rs60bn each. Asian Paints leads in market share across markets. Kerala is a relatively small market, whereas Berger and Indigo Paints are well placed. *Haisha* is another strong player in Kerala, acquired by Pidilite. Indigo is not seeing good growth in Kerala. In the last 5-6 years, Berger did better in Kerala.
- **Actions from Asian Paints awaited; opportunity for newcomers:** Asian Paints has the legacy advantage of high inventory turns (on brand moat) which regularly used to squeeze trade margin. Over the years, the company has also reduced the trade scheme to 2-2.5%, from 8-9%. Experts noted that post-Covid, market visits by the team have reduced. Even the quality of the products has waned. The sustained target-driven push for sales has led to attrition in the team. Asian Paints needs a mindset change and should align with trade needs, per supply chain and dealers; the incremental focus is to fix business processes. Emulsion, a high-margin segment for Asian Paints, has seen the market share shifting to Berger Paints.
- **Birla Opus addresses trade needs:** Birla Opus came up with a better-quality product and addressed trade issues. The company started offering a flat rebate. Birla Opus has worked on contractor incentives. Roughly, it offered the product as a free sample to a large contractor base, receiving positive feedback in turn for its products. After painting, consumers cannot differentiate quality, but contractors can. Birla Opus gave a free tinting machine to trade channel (for the initial year); the machine is compact, leading to 40% shrinkage in the size of machines with peers now following the same. Now, machines are given on a minimum level of ordering over a threshold. Birla also has improved handling of complaints. Birla has a strong hold in putty in South India; thus, it has been able to break into Asian Paints' territories in the South.
- **Diwali 2025, an opportunity for Birla Opus to corner share in the North:** In the North, Jul is a big month with primary trade stocking for Diwali. Secondary trade happens over Sep and Oct. During those months, servicing the trade channel is tough; as such, inventory positioning is created for four months. Dealers are incentivized to hold inventory for 4 months. Enamel requires lots of planning, with planning starting from July; in Aug, companies push for the economy range, and in Sep, stocking is done for premium emulsion. Players who can stock up on trade will have better sales in Diwali. During this period, brand pull does not matter. In the North, people paint offices, puja rooms, and living rooms less frequently but house painting is done every 5 years. Last year, Birla Opus had an availability issue; this year, the issue has been resolved, so it can make inroads in North India which can be a game-changer for Birla.
- **JSW's** entry into paints augurs well for the industry, where the key disruption was product pricing. Unlike traditional players pricing dark shades at a premium, JSW has decided to keep prices same across color options. This has helped dealers service the market better. However, poor handling of trade complaints hurt the franchise's scale-up. With expected acquisition of Akzo Nobel, the trade channel may see JSW's position strengthening in Telangana, but traders in Tamil Nadu are not enthusiastic. Akzo Nobel has a premium portfolio and is strong in projects.
- **Berger Paints** has limited presence in Telangana but has fair visibility in Tamil Nadu. Berger has good connections with contractors, who are given healthy schemes on relatively high investment requests.

***Birla Opus has made strong inroads, offering a better quality product, with better trade margin.***  
– Paint expert

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## AlcoBev: Premiumization trend continues

Amid the states (Telangana and Tamil Nadu) covered in our trip, both have control on movement/ distribution of alcoholic beverages. Telangana is relatively relaxed in retailing, meanwhile, Tamil Nadu controls retail operations. Premiumization has been a trend which is aiding growth beyond volumes, as price hikes have been limited. As a strategy, Pernod Ricard has maintained its focus on premiumization, leading in this market. United Spirits, under Diageo, has shifted its focus to premiumization, from volumes. Whiskey remains a dominant consumption segment. The on-premise network has seen a steady expansion, but accounts for ~25% of overall industry revenue, much lower compared to developed markets' 70-80%.

*Premiumisation is the only trend that has been steady and is likely to stay.*

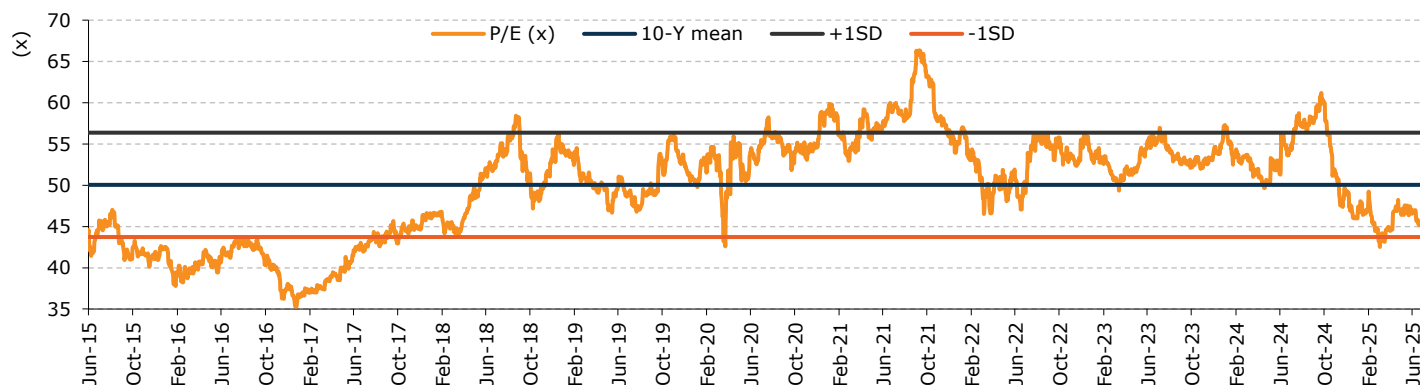
*– AlcoBev industry expert*

- In AlcoBev, **premiumization as a trend** has been aiding growth. Pernod Ricard has driven the premiumization trend, benefitting from the same. United Spirits, before Diageo (called USL), focused on volume growth. Post-Diageo, it has focused on premiumization. Premiumization as a trend has accelerated, post-Covid.
- There has been a **surge in on-premise consumption outlets**; however, the outlets still account for 25% of overall industry revenue (affected by 200% mark-up for on-premise sales; even basic bars have a 100% mark-up), compared with 70-80% in developed markets.
- **On-ground activation key for established brands.** The brands need to focus on acceptability and accessibility. Brand loyalty is high in AlcoBev vs FMCG.
- **Operations:** Telangana, Andhra Pradesh, Orissa, and Tamil Nadu are part of a corporation market, where companies sell to the government, which in turn retails. The retail arrangements, however, are different. In Tamil Nadu, the government controls retail operations.
- In **Telangana**, retailers (~6k active outlets) are private and must bid every two years. In Telangana, there are ~20 retailers bidding. The next bidding for retail outlets is scheduled in Sep-25. Depending on the population, the government is open to expanding retail outlets; it takes the call at the time of auction. There has been steady pricing in the state for the last 15 years, while taxes have increased during this period. Telangana is a large Whiskey market.
- **In Wines**, Sula and Jacobs Creek are prominent names. The Telangana government wanted to promote Beer and Wine in regular channels like QSR, but no progress has been made so far. From a consumer standpoint, women drinkers have increased in on-premise outlets.



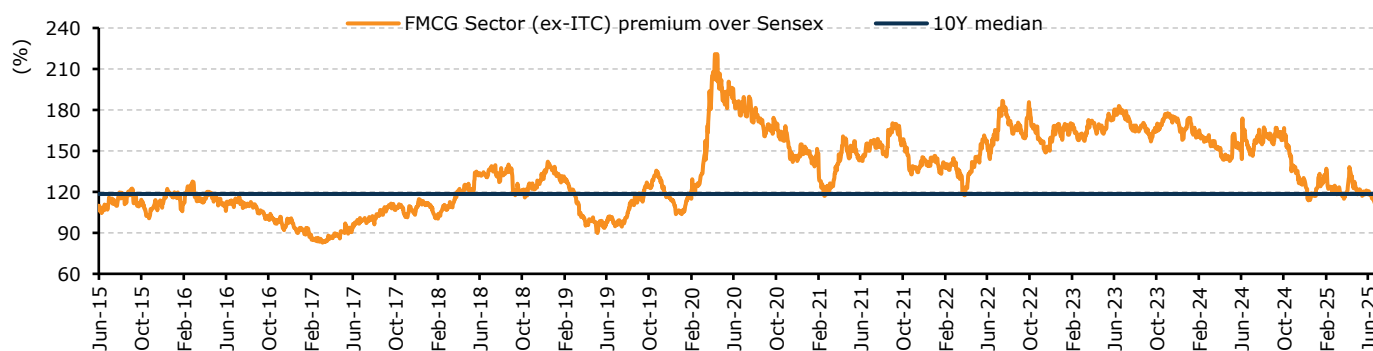
## Valuations at historical mean

**Exhibit 1: One-year forward P/E for the FMCG sector (ex-ITC) holding near the 10-year mean levels**



Source: Bloomberg, Emkay Research; Note: We have considered financials of Britannia, Colgate, Dabur, Godrej Consumer, Hindustan Unilever, Marico, and Nestlé India; estimates are based on Bloomberg consensus

**Exhibit 2: FMCG sector's valuation (one-year forward P/E) is at a premium to the broader market index Sensex**



Source: Bloomberg, Emkay Research; Note: We have considered financials of Britannia, Colgate, Dabur, Godrej Consumer, Hindustan Unilever, Marico, and Nestlé India; estimates are based on Bloomberg consensus

**BIKAJI FOODS INTERNATIONAL**  
**RECOMMENDATION HISTORY - DETAILS**

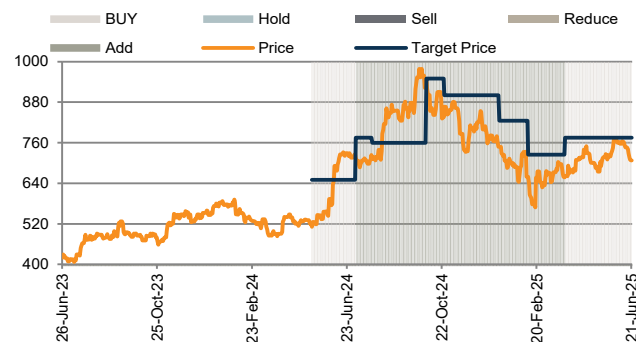
Date	Closing Price (INR)	TP (INR)	Rating	Analyst
16-May-25	718	775	Buy	Nitin Gupta
24-Apr-25	750	775	Buy	Nitin Gupta
04-Apr-25	677	775	Buy	Nitin Gupta
28-Mar-25	661	775	Buy	Nitin Gupta
21-Mar-25	697	725	Add	Nitin Gupta
17-Mar-25	683	725	Add	Nitin Gupta
26-Feb-25	642	725	Add	Nitin Gupta
18-Feb-25	569	725	Add	Nitin Gupta
09-Feb-25	659	725	Add	Nitin Gupta
02-Feb-25	727	825	Add	Nitin Gupta
03-Jan-25	748	825	Add	Nitin Gupta
25-Oct-24	866	900	Add	Nitin Gupta
02-Oct-24	945	950	Add	Nitin Gupta
25-Jul-24	711	760	Add	Nitin Gupta
24-Jul-24	724	775	Add	Nitin Gupta
04-Jul-24	715	775	Add	Nitin Gupta
26-Jun-24	729	650	Buy	Nitin Gupta
04-Jun-24	579	650	Buy	Nitin Gupta
24-May-24	556	650	Buy	Nitin Gupta
09-May-24	511	650	Buy	Nitin Gupta

Source: Company, Emkay Research

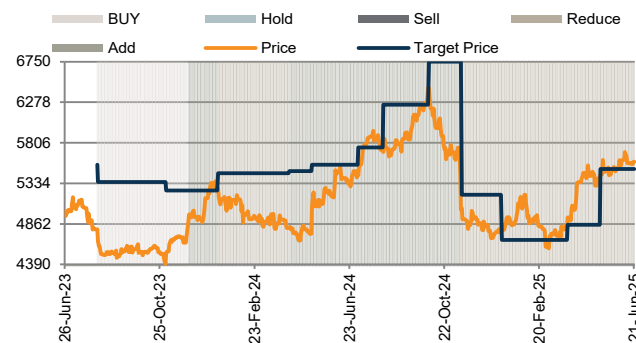
**BRITANNIA INDUSTRIES**  
**RECOMMENDATION HISTORY - DETAILS**

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
12-May-25	5,609	5,500	Reduce	Nitin Gupta
09-May-25	5,436	5,500	Reduce	Nitin Gupta
24-Apr-25	5,462	4,850	Reduce	Nitin Gupta
28-Mar-25	4,937	4,850	Reduce	Nitin Gupta
17-Mar-25	4,675	4,675	Reduce	Nitin Gupta
26-Feb-25	4,798	4,675	Reduce	Nitin Gupta
18-Feb-25	4,891	4,675	Reduce	Nitin Gupta
07-Feb-25	4,871	4,675	Reduce	Nitin Gupta
02-Feb-25	5,201	4,675	Reduce	Nitin Gupta
03-Jan-25	4,834	4,675	Reduce	Nitin Gupta
13-Nov-24	5,047	5,200	Reduce	Nitin Gupta
02-Oct-24	6,446	6,750	Add	Nitin Gupta
24-Sep-24	6,203	6,250	Add	Nitin Gupta
05-Aug-24	5,698	6,250	Add	Nitin Gupta
04-Jul-24	5,426	5,750	Add	Nitin Gupta
26-Jun-24	5,422	5,550	Add	Nitin Gupta
04-Jun-24	5,325	5,550	Add	Nitin Gupta
13-May-24	5,131	5,550	Add	Nitin Gupta
08-May-24	5,228	5,550	Add	Nitin Gupta
06-May-24	5,062	5,550	Add	Nitin Gupta

Source: Company, Emkay Research

**RECOMMENDATION HISTORY - TREND**


Source: Company, Bloomberg, Emkay Research

**RECOMMENDATION HISTORY - TREND**


Source: Company, Bloomberg, Emkay Research

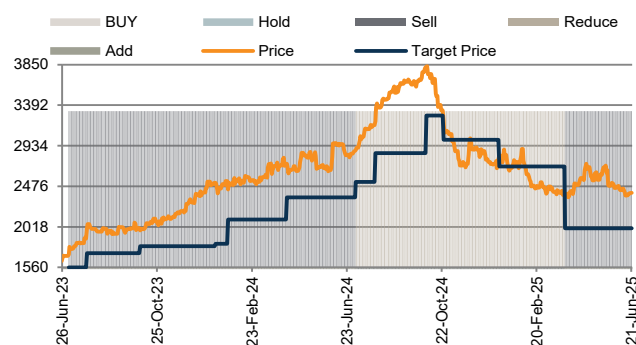
## COLGATE-PALMOLIVE

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
22-May-25	2,487	2,000	Sell	Nitin Gupta
24-Apr-25	2,732	2,000	Sell	Nitin Gupta
28-Mar-25	2,390	2,000	Sell	Nitin Gupta
17-Mar-25	2,384	2,700	Reduce	Nitin Gupta
18-Feb-25	2,450	2,700	Reduce	Nitin Gupta
02-Feb-25	2,899	2,700	Reduce	Nitin Gupta
28-Jan-25	2,679	2,700	Reduce	Nitin Gupta
03-Jan-25	2,821	2,700	Reduce	Nitin Gupta
27-Nov-24	3,018	3,000	Reduce	Nitin Gupta
24-Oct-24	3,213	3,000	Reduce	Nitin Gupta
02-Oct-24	3,820	3,275	Reduce	Nitin Gupta
24-Sep-24	3,682	2,850	Reduce	Nitin Gupta
29-Jul-24	3,210	2,850	Reduce	Nitin Gupta
04-Jul-24	2,885	2,525	Reduce	Nitin Gupta
26-Jun-24	2,802	2,350	Sell	Nitin Gupta
04-Jun-24	2,810	2,350	Sell	Nitin Gupta
15-May-24	2,673	2,350	Sell	Nitin Gupta
13-May-24	2,859	2,350	Sell	Nitin Gupta
08-May-24	2,825	2,350	Sell	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

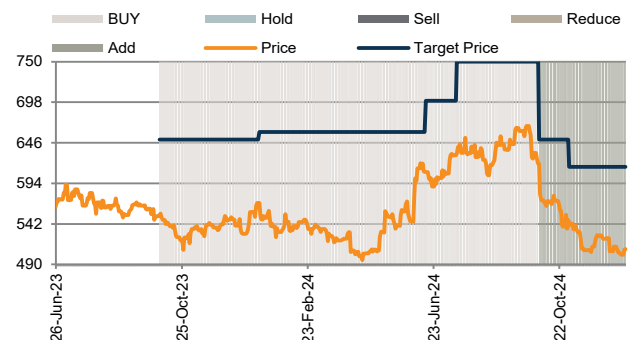
## DABUR INDIA

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
08-May-25	469	450	Reduce	Nitin Gupta
08-May-25	469	450	Reduce	Nitin Gupta
24-Apr-25	492	450	Reduce	Nitin Gupta
24-Apr-25	492	450	Reduce	Nitin Gupta
03-Apr-25	465	450	Reduce	Nitin Gupta
03-Apr-25	465	450	Reduce	Nitin Gupta
28-Mar-25	507	500	Reduce	Nitin Gupta
28-Mar-25	507	500	Reduce	Nitin Gupta
17-Mar-25	495	550	Add	Nitin Gupta
17-Mar-25	495	550	Add	Nitin Gupta
18-Feb-25	515	550	Add	Nitin Gupta
18-Feb-25	515	550	Add	Nitin Gupta
02-Feb-25	539	550	Add	Nitin Gupta
02-Feb-25	539	550	Add	Nitin Gupta
30-Jan-25	534	550	Add	Nitin Gupta
30-Jan-25	534	550	Add	Nitin Gupta
03-Jan-25	525	550	Add	Nitin Gupta
03-Jan-25	525	550	Add	Nitin Gupta
31-Oct-24	540	615	Add	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



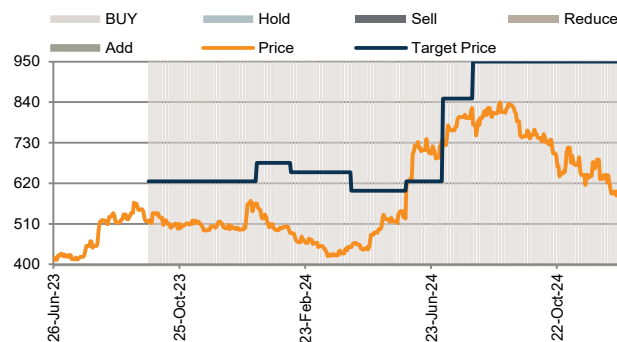
Source: Company, Bloomberg, Emkay Research

## EMAMI RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
16-May-25	636	750	Buy	Nitin Gupta
16-May-25	636	750	Buy	Nitin Gupta
24-Apr-25	646	750	Buy	Nitin Gupta
24-Apr-25	646	750	Buy	Nitin Gupta
28-Mar-25	580	750	Buy	Nitin Gupta
28-Mar-25	580	750	Buy	Nitin Gupta
17-Mar-25	547	750	Buy	Nitin Gupta
17-Mar-25	547	750	Buy	Nitin Gupta
09-Mar-25	552	750	Buy	Nitin Gupta
09-Mar-25	552	750	Buy	Nitin Gupta
18-Feb-25	541	750	Buy	Nitin Gupta
18-Feb-25	541	750	Buy	Nitin Gupta
02-Feb-25	626	750	Buy	Nitin Gupta
02-Feb-25	626	750	Buy	Nitin Gupta
28-Jan-25	556	750	Buy	Nitin Gupta
28-Jan-25	556	750	Buy	Nitin Gupta
03-Jan-25	614	875	Buy	Nitin Gupta
03-Jan-25	614	875	Buy	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



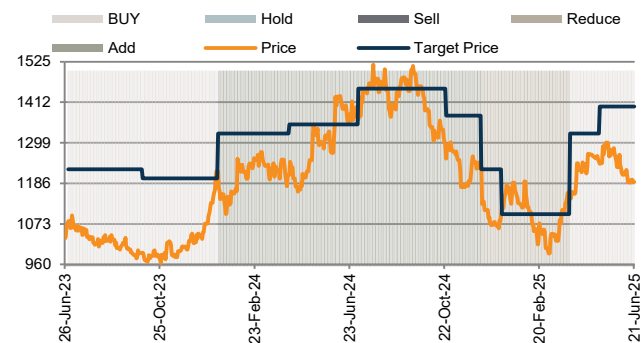
Source: Company, Bloomberg, Emkay Research

## GODREJ CONSUMER PRODUCTS RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
08-May-25	1,241	1,400	Buy	Nitin Gupta
24-Apr-25	1,268	1,325	Buy	Nitin Gupta
06-Apr-25	1,157	1,325	Buy	Nitin Gupta
31-Mar-25	1,159	1,325	Buy	Nitin Gupta
17-Mar-25	1,052	1,100	Reduce	Nitin Gupta
26-Feb-25	1,057	1,100	Reduce	Nitin Gupta
18-Feb-25	1,016	1,100	Reduce	Nitin Gupta
02-Feb-25	1,192	1,100	Reduce	Nitin Gupta
25-Jan-25	1,130	1,100	Reduce	Nitin Gupta
03-Jan-25	1,117	1,100	Reduce	Nitin Gupta
08-Dec-24	1,235	1,225	Reduce	Nitin Gupta
24-Oct-24	1,255	1,375	Add	Nitin Gupta
02-Oct-24	1,388	1,450	Add	Nitin Gupta
24-Sep-24	1,446	1,450	Add	Nitin Gupta
07-Aug-24	1,504	1,450	Add	Nitin Gupta
04-Jul-24	1,364	1,450	Add	Nitin Gupta
26-Jun-24	1,414	1,350	Add	Nitin Gupta
04-Jun-24	1,348	1,350	Add	Nitin Gupta
13-May-24	1,338	1,350	Add	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

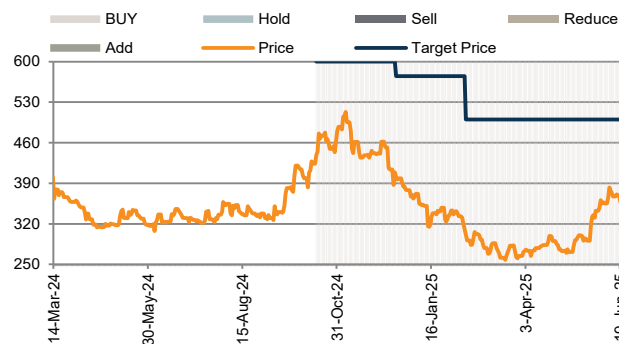
## GOPAL SNACKS

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
12-Jun-25	374	500	Buy	Nitin Gupta
26-May-25	320	500	Buy	Nitin Gupta
28-Mar-25	265	500	Buy	Nitin Gupta
21-Mar-25	282	500	Buy	Nitin Gupta
05-Mar-25	275	500	Buy	Nitin Gupta
26-Feb-25	293	500	Buy	Nitin Gupta
13-Feb-25	301	500	Buy	Nitin Gupta
03-Jan-25	372	575	Buy	Nitin Gupta
18-Dec-24	401	575	Buy	Nitin Gupta
19-Nov-24	434	600	Buy	Nitin Gupta
15-Oct-24	445	600	Buy	Nitin Gupta
14-Oct-24	439	600	Buy	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

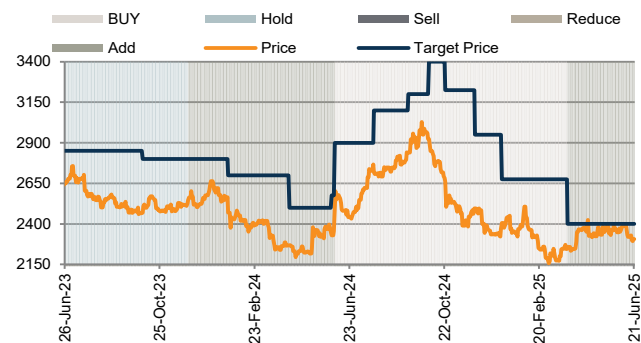
## HINDUSTAN UNILEVER

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
25-Apr-25	2,332	2,400	Add	Nitin Gupta
24-Apr-25	2,325	2,400	Add	Nitin Gupta
28-Mar-25	2,259	2,400	Add	Nitin Gupta
17-Mar-25	2,171	2,675	Buy	Nitin Gupta
26-Feb-25	2,259	2,675	Buy	Nitin Gupta
18-Feb-25	2,296	2,675	Buy	Nitin Gupta
02-Feb-25	2,506	2,675	Buy	Nitin Gupta
22-Jan-25	2,343	2,675	Buy	Nitin Gupta
08-Jan-25	2,401	2,675	Buy	Nitin Gupta
03-Jan-25	2,406	2,675	Buy	Nitin Gupta
30-Nov-24	2,496	2,950	Buy	Nitin Gupta
23-Oct-24	2,659	3,225	Buy	Nitin Gupta
02-Oct-24	2,924	3,400	Buy	Nitin Gupta
24-Sep-24	2,951	3,200	Buy	Nitin Gupta
06-Sep-24	2,839	3,200	Buy	Nitin Gupta
24-Jul-24	2,717	3,100	Buy	Nitin Gupta
04-Jul-24	2,496	2,900	Buy	Nitin Gupta
26-Jun-24	2,446	2,900	Buy	Nitin Gupta
04-Jun-24	2,496	2,900	Buy	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research



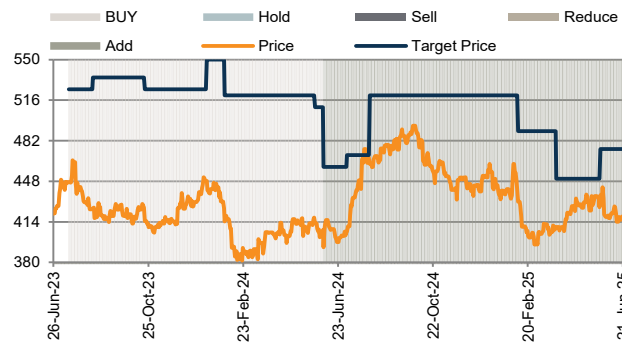
## ITC

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Jun-25	423	475	Add	Nitin Gupta
23-May-25	436	475	Add	Nitin Gupta
24-Apr-25	430	450	Add	Nitin Gupta
28-Mar-25	410	450	Add	Nitin Gupta
21-Mar-25	406	490	Add	Nitin Gupta
17-Mar-25	408	490	Add	Nitin Gupta
18-Feb-25	405	490	Add	Nitin Gupta
07-Feb-25	431	490	Add	Nitin Gupta
02-Feb-25	463	520	Add	Nitin Gupta
03-Jan-25	456	520	Add	Nitin Gupta
25-Oct-24	456	520	Add	Nitin Gupta
02-Oct-24	488	520	Add	Nitin Gupta
24-Sep-24	487	520	Add	Nitin Gupta
02-Aug-24	463	520	Add	Nitin Gupta
04-Jul-24	406	470	Add	Nitin Gupta
26-Jun-24	401	460	Add	Nitin Gupta
05-Jun-24	407	460	Add	Nitin Gupta
04-Jun-24	393	460	Add	Nitin Gupta
24-May-24	413	510	Buy	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

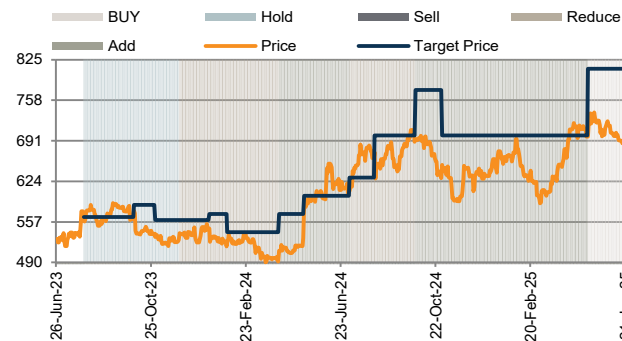
## MARICO

## RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
04-May-25	698	810	Buy	Nitin Gupta
24-Apr-25	713	700	Add	Nitin Gupta
03-Apr-25	661	700	Add	Nitin Gupta
17-Mar-25	608	700	Add	Nitin Gupta
26-Feb-25	622	700	Add	Nitin Gupta
18-Feb-25	626	700	Add	Nitin Gupta
02-Feb-25	694	700	Add	Nitin Gupta
31-Jan-25	671	700	Add	Nitin Gupta
03-Jan-25	661	700	Add	Nitin Gupta
30-Oct-24	651	700	Add	Nitin Gupta
02-Oct-24	694	775	Add	Nitin Gupta
26-Sep-24	694	775	Add	Nitin Gupta
05-Aug-24	672	700	Reduce	Nitin Gupta
05-Aug-24	672	700	Reduce	Nitin Gupta
06-Jul-24	615	630	Reduce	Nitin Gupta
04-Jul-24	608	630	Reduce	Nitin Gupta
26-Jun-24	613	600	Add	Nitin Gupta
04-Jun-24	615	600	Add	Nitin Gupta
13-May-24	595	600	Add	Nitin Gupta

Source: Company, Emkay Research

## RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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<b>ADD</b>	5-15% upside
<b>REDUCE</b>	5% upside to 15% downside
<b>SELL</b>	<15% downside

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