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***Sector Updates***

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➤ **FMCG sector outlook**

- The FMCG sector is showing clear signs of recovery, with volume growth of 5.3% in Aug–Oct, the best since Feb–Apr 2024, according to Worldpanel Numerator.
- After ~18 months of sluggish performance, demand has begun to pick up meaningfully, driven by low inflation, negative food inflation, and improving consumer confidence.
- Manufacturers are passing cost benefits to consumers, supporting higher volumes.
- Near-term momentum looks strong: a ~5% volume growth from a household consumption perspective is seen as achievable in the coming quarters.
- However, annual growth (MAT Oct 2025) is still below last year, meaning full-year 2025 may lag 2024, despite the recent turnaround.

➤ Shopping behavior is improving:

- Average shopping trips rose to 157 in 2025 from 130 in 2019.
- Consumers are expected to make slightly more trips and increasingly trade up to premium and branded products.
- Branded products could match or outperform unbranded growth as GST-related price gaps narrow.

➤ Outlook for 2026 is bullish:

- Strong macro indicators, revised-up GDP expectations, low inflation, and rebounding confidence position FMCG for a decisive, sustained, value-driven growth phase.

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- Cement firms set for stronger Q3 profits
  - Cement companies are expected to report improved Q3 (Dec quarter) profits despite pricing pressure, driven by a sharp demand rebound in the second half of the quarter.
  - Top listed players may see up to ~30% YoY growth in EBITDA, supported by higher sales volumes and lower input costs, even as imported pet coke prices rose ~5%.
- Volume growth outlook:
  - Industry volumes likely up ~5.5% YoY.
  - Market leaders UltraTech Cement and Ambuja Cements may post ~16% growth, aided by acquisitions.
- Regional demand trends:
  - North and Central India saw stronger demand buoyancy than the South and East.
  - UltraTech, Ambuja, and JK Cement are expected to outperform peers like Ramco, Dalmia, and JSW Cement on volumes.
- Cost dynamics:
  - Pet coke prices rose \$10/tonne in three months; fuel costs increased ₹40–50/tonne.
  - The Centre's move to replace ₹400/tonne GST compensation cess on coal with 18% GST reduced the overall tax burden, especially for lower-grade coal.
  - This change made domestic coal more competitive, yielding ₹30–40/tonne savings.
- Other factors:
  - Demand was briefly constrained by labour migration (Bihar elections) and pollution-related curbs.
  - Cement prices fell sharply in FY25, the steepest decline in over a decade, pressuring margins and cash flows amid high capex, though a lower base last year kept pricing flat YoY overall.