



FMCG contract manufacturing

Industry overview
and M&A outlook



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01

Key trends

India's FMCG contract manufacturing industry has emerged as a dark horse over the past 24 months and is now being perceived and valued as a quasi-consumer play by industry majors and the investor community. This shift can be partly attributed to the industry's transformation from a fragmented, low-margin segment into players with moderate to large-scale operations, deep innovation capabilities, a diversified product and customer base, and exposure to export markets—driving both growth and profitability. Another key driver is the potential for significant value creation through public market listings, following the successful precedent set by Pharma CDMOs (Contract Development and Manufacturing Organizations).

This Thought Leadership provides a brief overview of key trends and opportunities, the competitive landscape, global industry and M&A trends, deal activity, and potential M&A themes in India, thereby demonstrating our domain expertise and leadership in creating value for stakeholders.

Below are a few interconnected forces that are reshaping the industry and contributing to multiple growth vectors in the contract manufacturing space across product categories:

- I. Growing market share of D2C and retailers:** D2C companies are focused on brand building, GTM strategy and new launches; major retailers and e-commerce platforms (with private label expansion) are focused on launching proprietary brands - thereby outsourcing the entire production process (including formulation development) to contract manufacturers
- II. Innovation outsourcing by FMCG players:** Even large FMCG brands are partnering with agile and R&D backed contract manufacturers for new product launches, elevating manufacturers from transactional suppliers (with low margin business) to strategic partners (with high margin business)
- III. Exports becoming a major play,** both directly to the FMCG giants and to the retailers, which also is a key driver for growth and profitability. The trend is driven by – (a) Indian players are increasingly building new factories with globally accepted compliance norms such as US-FDA and NSF, and (b) global majors are looking to reduce their dependence on China and India is emerging as a favourable destination on account of cost advantage, availability of a skilled workforce and strategic geopolitical positioning. Although only companies with deep R&D capabilities are able to capitalise on this opportunity
- IV. Focus on technology & automation:** Leading players are investing in advanced production systems and supply chain integration, enhancing efficiency and compliance

- V. Shift in consumer demand pattern to premiumization:** Consumer demand for functional foods, nutraceuticals, and clean-label products is driving the need for specialised manufacturing. Also, rising incomes and evolving preferences are enabling brands to introduce higher-margin, premium products, requiring advanced manufacturing capabilities
- VI. Flexibility to produce small batches –** Contract manufacturers in India that offer small-batch production capability are increasingly well-positioned to thrive in the evolving landscape which is greatly influenced by multiple new D2C players. These D2C players have led the charge of new product launches with very high frequency and small volume, as opposed to the strategy followed by traditional FMCG players. This trend is expected to continue requiring flexibility and support from contract manufacturers in terms of capability to produce small batches.





02

Key challenges and opportunities

Fundamentally, being a B to B business, the margin band is expected to remain range bound and inherent risk in the business is to sustain wallet share with the customers – the success could be driven basis:

I. Customer formulation vs own formulation – players with capability to formulate new products have a significant competitive edge over its competitors. They become more than just a manufacturer – a development partner to its customers. As many retailers, FMCG brands and D2C players don't have in-house R&D or want to outsource it to reduce costs and expedite go-to-market, contract manufacturers with own formulation capability are expected to enjoy higher stickiness with such brands and consequently, higher wallet share and better margin profile

II. Address the risk of inhouse production by FMCG clients – FMCG majors continuously assess the merits of in-house manufacturing vs. outsourcing to contract manufacturers. This strategic deliberation hinges on factors like cost efficiency, scalability, regulatory compliance, market agility and each FMCG major takes a strategic call to position itself uniquely on the spectrum of operational control vs market responsiveness. While outsourcing has its obvious advantages, some FMCG majors prefer in-house manufacturing to safeguard proprietary formulations and processes, retain control over production processes and quality. Having a diversified customer base, strong innovation capabilities, internationally accepted manufacturing facilities can be a differentiator to diversify this risk

- **Innovation in ingredients and processes –** (a) inhouse development and manufacturing of key ingredients to reduce dependence on imports as well as capture higher share of the value chain, (b) partnering with leading ingredient companies for cutting edge innovation and bringing novel ingredients

for consumer applications and (c) development of proprietary processes for delivery is difficult to replicate and leading contract manufacturers are partnering with their top clients to introduce such novel processes in manufacturing and delivery to launch innovative products in the market and drive growth outcomes as strategic partners for their clients. Global players including the North American, Italian and Korean contract manufacturing players have already started building such partnerships and Indian players are expected to follow suit

- **Internationally accepted manufacturing facility backed by global certifications/ licenses –** players adhering to stringent international standards, including US-FDA, NSF and MoCRA ensuring product safety and quality across global markets are better positioned to win. They are implementing robust quality control systems and regular audits to maintain compliance with evolving regulations



III. Consolidation to address competitive intensity

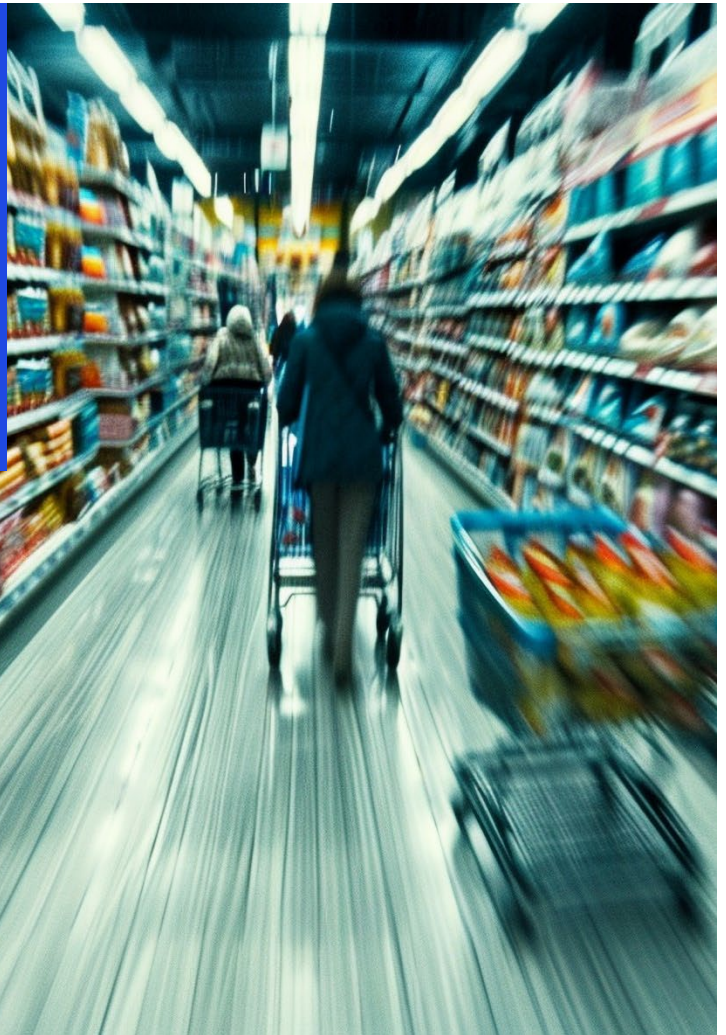
– FMCG contract manufacturing is a fragmented industry with a few large and credible players and numerous fringe setups. Traditionally, on account of tolling nature of business with minimal innovation and value addition by players, margins have remained under pressure. However, the industry is moving towards consolidation led by the scaled-up players who are now focusing on deep R&D by acquiring capabilities on the CDMO side to position itself as complete turnkey solution provider and drive better stickiness and margins

IV. Overall efficiency during slowdown in consumer sector

– India's consumption story is currently navigating a phase of uncertainty. Consumer sector has faced challenges in the last two to three years on account of several known local and global factors such as persistent inflation, rural income volatility, geopolitical risks and supply disruptions. During such times, FMCG contract manufacturers are prioritizing on operational efficiency and cost agility to remain competitive.

Key Takeaways:

For industry participants, the strategic imperative is clear: (a) build comprehensive capabilities, (b) achieve scale, and (c) invest in quality and innovation to capture the substantial opportunities created by India as a global manufacturing hub for consumer products.



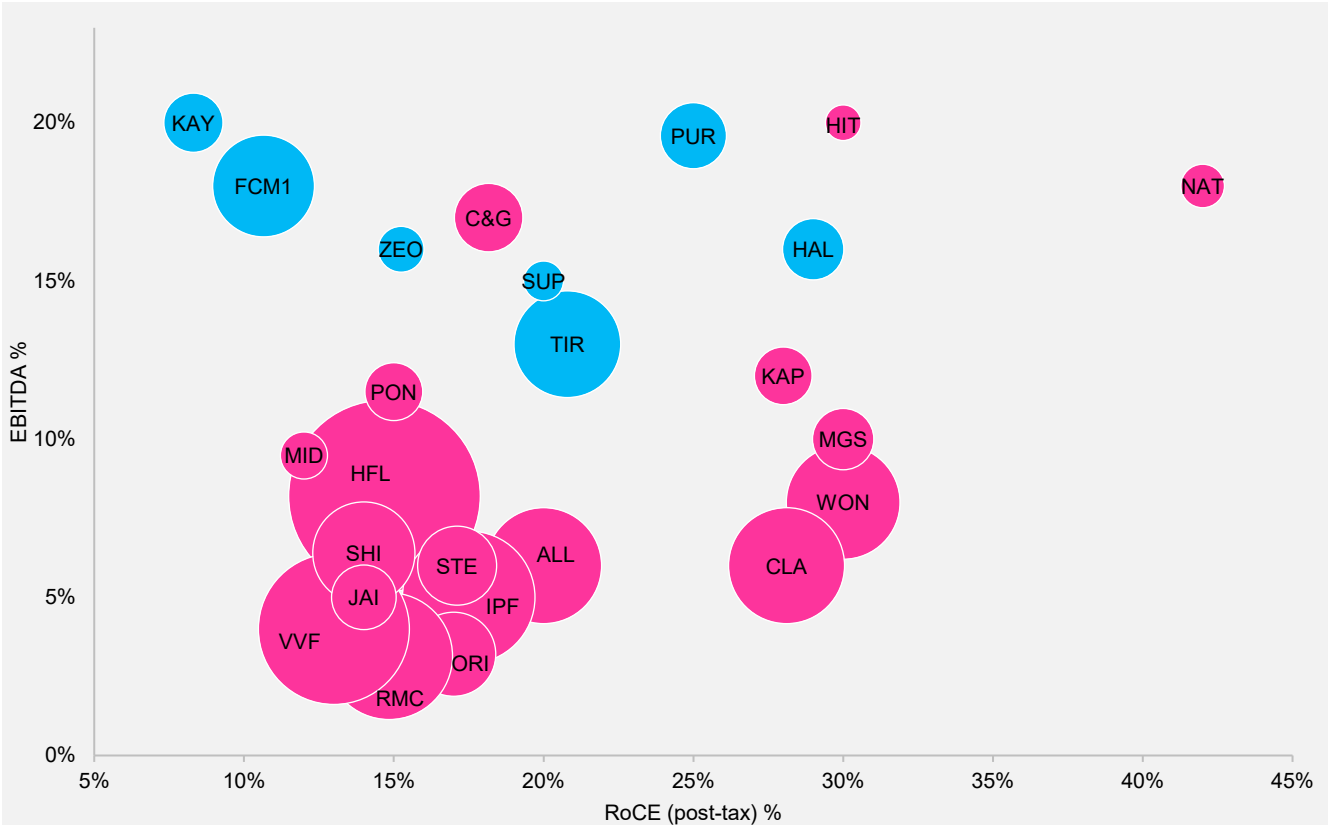
A row of white plastic bottles, likely for FMCG products, is shown on a production line. The bottles are arranged in a line, and the background is blurred, showing industrial equipment and a conveyor belt. A blue overlay box is positioned over the lower part of the image, containing the text '03 India competitive landscape'.

03

**India
competitive
landscape**

Refer to Chart A and Table A below for detailed competitive landscape in the industry.

Chart A: Competitive positioning of players in India



Source – Company financials, Customer discussions, Secondary research, KPMG in India Analysis

Instructions to read Chart A –

- a) Each bubble indicates a player in FMCG contract manufacturing – please refer to Table A below to identify player from the abbreviated name of the bubble
- b) X-axis depicts indicative FY24 RoCE (post-tax) margin in percentage terms
- c) Y-axis depicts indicative FY25 EBITDA margin in percentage terms
- d) Size of the bubble indicates FY25 revenue (reported revenue for HFL being a listed entity, estimated revenue for other players)
- e) Color of the bubble indicates category of contract manufacturer – (i) Pink color indicates BPC and Home Care contract manufacturing player, and (ii) Blue color indicates Food and Nutraceuticals contract manufacturing player
- f) Please refer to the Table A below for detailed comparison of players.

Key trends	Key challenges and opportunities	India competitive landscape	Global manufacturing landscape and key trends	Potential M&A themes and deal activity in India	Conclusion
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Table A: Brief overview of key players

Tags	Company	Revenue (INR mn)	EBITDA (%)	Indicative RoCE (%)	Focus Segments	Key indicative clients
BPC and home care (as primary segment)						
HFL	HFL	35,644 ⁽¹⁾	8% ⁽¹⁾	15% ⁽³⁾	FMCG	HUL, RB
WON	Wonder	12,500 ⁽²⁾	8% ⁽²⁾	30% ⁽⁴⁾	FMCG	L'Oréal, Unilever, HUL
ALL	Alliance	13,000 ⁽²⁾	6% ⁽²⁾	20% ⁽⁴⁾	FMCG	ITC, HUL, Emami
IPF	IPF - Vikram	17,000 ⁽²⁾	5% ⁽²⁾	18% ⁽⁴⁾	FMCG	HUL
ORI	Oriclean	6,800 ⁽²⁾	3% ⁽²⁾	17% ⁽³⁾	FMCG	HUL
CLA	Clarion	13,000 ⁽²⁾	6% ⁽²⁾	28% ⁽³⁾	FMCG	HUL
STE	Stella	6,000 ⁽²⁾	6% ⁽²⁾	17% ⁽³⁾	D2C	Bella Vita, Ajmal Perfumes
RMC	RM Chem	15,542 ⁽²⁾	3% ⁽²⁾	15% ⁽³⁾	FMCG	HUL
VVF	VVF	22,089 ⁽²⁾	4% ⁽²⁾	13% ⁽⁴⁾	FMCG	J&J, RB, ITC, Piramal
MGS	MG Shahani	3,600 ⁽²⁾	10% ⁽²⁾	30% ⁽⁴⁾	FMCG, D2C	Dabur, Reliance, Colgate
KAP	Kapco	3,182 ⁽²⁾	12% ⁽²⁾	28% ⁽⁴⁾	D2C	Honasa, Wow
SHI	Shivani	10,072 ⁽²⁾	6% ⁽²⁾	14% ⁽⁴⁾	FMCG	HUL, P&G
NAT	Naturis	1,800 ⁽²⁾	18% ⁽²⁾	42% ⁽³⁾	D2C	Pilgrim, Kay Beauty, Nykaa,
PON	Pontika	3,200 ⁽²⁾	12% ⁽²⁾	15% ⁽⁴⁾	FMCG	Cipla, ITC, RB
HIT	Hitech	1,200 ⁽⁴⁾	20% ⁽⁴⁾	30% ⁽⁴⁾	FMCG, D2C	Honasa, D&K
C&G	Cheryl & Gopaldas	4,500 ⁽²⁾	17% ⁽²⁾	18% ⁽³⁾	FMCG	Intas, Torrent
JAI	Jai Bhawani	4,000 ⁽²⁾	5% ⁽²⁾	14% ⁽⁴⁾	FMCG	RB
MID	Midas Care	2,108 ⁽²⁾	9% ⁽²⁾	12% ⁽³⁾	FMCG	NA
Food and nutraceuticals (as primary segment)						
TIR	Tirupati	11,000 ⁽²⁾	13% ⁽²⁾	21% ⁽³⁾	Pharma, Nutra	ON, MuscleBlaze, Abbott
FCM1	Food CM 1 ^(*)	10,000 ⁽²⁾	18% ⁽²⁾	11% ⁽³⁾	FMCG	HUL, Mondelez, ITC
HAL	Halewood	3,599 ⁽²⁾	16% ⁽²⁾	29% ⁽³⁾	Pharma, FMCG	P&G, Dabur, Cipla
PUR	Purbasha	4,185 ⁽²⁾	20% ⁽²⁾	25% ⁽³⁾	FMCG	Britannia, HUL, Pepsico, ITC
ZEO	Zeon	2,000 ⁽²⁾	16% ⁽²⁾	15% ⁽³⁾	FMCG	Marico, Himalaya
SUP	Superchem	1,500 ⁽²⁾	15% ⁽²⁾	20% ⁽⁴⁾	Nutra, FMCG	Heinz, MuscleTech, Apollo
KAY	Kayem	3,353 ⁽²⁾	20% ⁽²⁾	8% ⁽⁴⁾	FMCG	Nestle, Kellogg's, Marico

Source – Company financials, Customer discussions, Secondary research, KPMG in India Analysis

⁽¹⁾FY25(actual) ⁽²⁾FY25(estimated) ⁽³⁾FY24(actual) ⁽⁴⁾FY24(estimated) – estimated figures are based on management discussion/market intelligence, etc.

^(*)Prominent food contract manufacturer in North India

Key Takeaways:

- I. All three dimensions are critical for evaluation – scale, profitability and return on capital employed. In addition to this, customer mix is a very important driver for sustainable growth
- II. Players with high RoCE profile and high EBITDA profile have strong CDMO moat with formulation development capabilities
- III. BPC focused players such as Wonder, MG Shahani, Stella are placed higher on the RoCE profile despite moderate margin profile. These players have created a return accretive business model by achieving scale and optimization of return on investments
- IV. Food and nutraceutical players are generally positioned higher on the scale of margins. However, given that the industry has higher safety regulations, and higher capital requirement, RoCE profiles are relatively on the lower side
- V. Players who are largely operating in home care segment generally have lower margin profile and return profile given that home care is a stable category with low value addition required on contract manufacturer's part.





04

Global manufacturing landscape and key trends

The global FMCG contract manufacturing landscape has evolved significantly over the past decade, driven by growing emphasis on speed-to-market and increasing regulatory compliance requirements. A handful of well-established players with deep expertise in beauty, personal care, and wellness manufacturing have risen to prominence by embracing strategies that prioritize agility, innovation, and end-to-end integration. These industry leaders, once seen primarily as production partners, now serve as comprehensive solution providers to major global brands, offering not just scale and efficiency but also a strong foundation in product development.

Global contract manufacturing players have adopted strategies that go far beyond scale and cost-efficiency. They have transformed from mere manufacturing partners to innovation-driven, vertically integrated solution providers catering to leading global brands across cosmetics, personal care, and wellness categories.

Refer to Table B below for detailed global landscape. Please note, select names have been anonymized to align with KPMG's independence obligations.





Table B: Global FMCG contract manufacturing landscape

Particulars	GCM 1	GCM 2	GCM 3	GCM 4	GCM 5	GCM 6	GCM 7	GCM 8
HQ	Canada	Korea	Korea	Italy	UK	US	France	France
Global manufacturing/ R&D locations	25 manufacturing facilities & 26 R&D centers across NA, EU, Asia & LATAM	Units in US., Canada & China	Operations spanning China, Thailand, Vietnam, U.S. & Mexico	16 plants, 16 sales offices, 11 R&D centres across the globe	15 facilities across EU & Asia	12 manufacturing facilities, 4 R&D centers across US., Canada & EU	22 manufacturing units & 16 R&D labs across EU & NA	41 sites across 13 countries in EMEA and Americas
Product Segments	Personal care Home care	Personal care	Personal Care Home Care Nutra & Pharma	Personal Care	Home care	Personal Care	Personal Care Nutra	Personal care Home care Pharma
Listed / Private	Private	Listed	Listed	Listed	Listed	Private	Private	Private
Revenue (USD mn)	2,000+ ⁽¹⁾	2,751 ⁽²⁾	2,302 ⁽²⁾	1,210 ⁽²⁾	1,265 ⁽²⁾	NA	900+ ⁽¹⁾	2,500 ⁽¹⁾
EBITDA %	NA	10%	10%	12%	9%	NA	NA	NA
Private Equity Fundraises	2014: Canada based PE fund invested MUSD 146 (minority) 2018: U.S. based PEs (Management buyout)	NA	NA	Minority deals – 2014: U.S based PE 2017: North American pension fund 2020: Southeast Asian sovereign fund	NA	2017: U.S based PE(majority)	2024: U.S based PE(minority stake for USD500mn)	NA
Key Inorganic Acquisitions	2015: Packaging material company in the U.S. 2017: U.S. - fine fragrance manufacturer 2019: French cosmetics manufacturer 2019: China based BPC manufacturer 2020: Manufacturer of home care product 2025: JV with Indian contract manufacturer for BPC and packaging innovation	2016: Acquired) Canada based manufacturer of BPC products to enter the North American market 2019: Acquired face mask plant in South Korea 2021: Acquired a bioengineering platform in South Korea 2022: Acquired 55% stake in, a Korean cosmetics packaging co.	2016: Acquired 85% in Canada based manufacturer of BPC products 2016: U.S. based manufacturer of BPC products 2018: - Acquired Korean manufacturer of pharma products for USD1.3bn 2023: Acquired Korean packaging company for USD57mn	2015: Acquired Korea based packaging company 2015: Formed JV with Korea based player to expand presence in the region 2017: Acquired Italy based hair & beauty products 2020: Purchased remaining stake in Korean JV	2010: Acquired BPC products manufacturer in Malaysia 2010: Acquired BPC products manufacturer in Czech Republic 2017: Acquired Danish producer of dish washing products	2017: U.S based manufacturer of BPC products 2018: U.S based manufacturer of BPC products 2023: Acquired – U.S based supply chain solution provider	2010: French manufacturer of dry & wet wipes 2013: French CMO of pharma products 2019: U.S based CMO and developer of cosmetic products	2018: Acquired personal care (skin creams and lipstick) production plant in US 2017: Acquired multiple personal care plants in Europe 2013: Acquired Italy based (cosmetics mfg. co. with USD150mn revenue, 12.5% EBITDA)

Source – Company financials, Secondary research, KPMG in India Analysis

⁽¹⁾ 2025(estimated) ⁽²⁾2025(actual)

Key differentiators in the global landscape are as follows

- **GCM 1** – Grown from a North American personal care manufacturer into a global beauty and home care innovator. The group currently houses multiple manufacturing facilities across the globe and research and innovation hubs to strengthen their capabilities in developing their own proprietary formulations. Further, the company has recently partnered with ingredient innovators to create and market novel ingredients for beauty and personal care applications and have grown by multiple acquisitions
- **GCM 2 and GCM 3**– The success story of K-Beauty is largely attributed to the innovative prowess and strategic collaborations of these ODMs who have been instrumental in crafting products for K-Beauty brands. These companies have built strong in-house R&D ecosystems with dedicated labs focused on skincare, oral care, and clean beauty, allowing them to co-create proprietary formulations with clients
- **GCM 4**– Operates innovation centers across Europe, the U.S., and Asia, enabling it to offer cutting-edge formulations and respond quickly to evolving consumer trends. The group has made select acquisitions/ partnerships to

strengthen specific capabilities and geographic presence.

While the contract manufacturers shown above have grown historically, on the contrary, GCM 5, a large U.K based home care contract manufacturer, has remained stagnant, on account of –

- being constrained in the home care segment, which is a low value add category,
- limited focus on R&D and innovation, and
- limited inorganic efforts to scale up the business.

The global shift toward outsourcing for speed and flexibility, rather than purely cost optimization, represents a fundamental change in client expectations. In North America and Europe, leading brands increasingly rely on contract manufacturers for rapid product innovation and market testing, particularly for specialised or limited-run products.

This trend should create opportunities for Indian manufacturers who can demonstrate agility and innovation capabilities beyond traditional cost advantages. The ability to support co-development relationships and provide R&D expertise is becoming a key differentiator in winning and retaining major client relationships.

Key Takeaways:

Global trends toward co-development, integrated services, quality certification, and sustainability create opportunities for Indian contract manufacturers to compete on capabilities and innovation rather than cost alone, while access to international markets requires demonstration of world-class operational standards.





05

**Potential M&A
themes and deal
activity in India**

Key trends	Key challenges and opportunities	India competitive landscape	Global manufacturing landscape and key trends	Potential M&A themes and deal activity in India	Conclusion
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The sector has seen robust deal activity, reflecting consolidation and investor confidence in value creation. Key transactions in last four to five years

include (please note, select names have been anonymized to align with KPMG’s independence obligations):

Table C: Key transactions in contract manufacturing space

Date	Company / Target	Investor	Deal type/ size	Purpose/Impact
Mar 2025	Tirupati Medicare	India based PE	Majority - INR1,050 Cr	Transaction includes exit for existing PE and primary investment into the company for scaling up the nutraceutical segment
Nov 2024	Pontika Aerotech	India SME	Minority - INR70 Cr	To fund expansion in manufacturing facility and working capital
Apr 2024	Prominent food contract manufacturer	India based PE	Meaningful Minority – INR700 Cr	To pursue inorganic growth – personal care and nutraceuticals
Sep 2023	Hindustan Foods	Convergent Finance	INR160 Cr (warrants)	Growth capital for organic/inorganic expansion
Dec 2022	Global FMCG player’s North India facility	Hindustan Foods	INR156 Cr	Acquisition of North India based facility for nutraceuticals/ dermaceuticals
Dec 2019	Global FMCG player’s manufacturing facility for aerosols (Khamgaon)	Wonder Group	INR 55 Cr	Acquisition of aerosols plant for both domestic and export market

Source – Secondary research, KPMG in India Analysis

M&A theme I – Private Equity-backed diversified contract manufacturing platform play

- Hindustan Foods is the only fully scaled up, diversified and listed player in the space
- Indian contract manufacturing Industry is extremely fragmented – limited number of businesses with > 15 million USD EBITDA
- However, these businesses are high quality, sticky customer base, competitive and besides being part of India story, can become a critical part of global supply chain
- They need capital for inorganic growth to expand geographically and acquire capabilities/adjacencies to create a diversified platform and to provide turnkey solutions to its clients
- Tier I category PE funds looking to undertake “roll up” plays in the sector are looking at picking an anchor asset (could be via minority stake or majority/super majority stake) and take a lead in consolidating smaller players and forming a “large and diversified platform” which is listable
- Such platforms are likely to go to public markets in the next 24 to 36 months.

Our view and analysis on such PE platform play:

- Two sub themes emanate from this:
 - This option is best suited for promoters who are looking to monetize part of the stake and wish to build a legacy business and create value by being part of the listed platform
 - For businesses that are sub scale or have succession issues, there is an opportunity to exit by consolidating into a larger platform.
- Investors need to be careful while constructing such a platform – an ideal platform should consider the following aspects:
 - **Exports contributing 30 per cent+ revenue** in the medium to long term, EBITDA potential of 15-20 per cent, ROCE above 20 per cent, low customer concentration and a diversified product range
 - **Growth in export-oriented businesses may come from supply chain shifts;** however, impact of tariffs on growth and profitability should be ascertained.
 - Domestic business in the portfolio needs to be chosen carefully **considering diversified customer base, sustainable profitability**
 - Acquisitions to acquire capabilities for ‘**own formulation**’ and ‘**market access**’.
 - Running and integrating the platform could require a high-quality professional management team – which generally can be hired from outside the current promoter led management
 - Acquiring at the right price amidst deal making euphoria in the sector is important for successful exit and good returns
 - Exit timing needs to be planned considering early to mid-stage of cyclical upturn in the space as well as public markets.

M&A theme II – Partnership with Global Strategic

- Strategic partnership with global players has not been witnessed in this sector so far, except for the recently formed greenfield JV between one of the major global contract manufacturers and Clarion
- Historically, overseas players have tried to enter the Indian market via greenfield route and have not been very successful – reasons are largely towards lack of experience of running successful manufacturing enterprise in India without the support of local partner
- Global players have a high focus on R&D and innovation, and they believe that Indian players do not have the requisite capabilities and expertise and hence, have shown low interest in acquiring stake in the existing platforms.
- In our assessment, cross border strategic M&A in a meaningful manner is still a few years away and is unlikely to be an option to monetize stake for the promoters
- However, we believe that strategic tie ups, (a) in the form of equity (one of the major global contract manufacturers and Clarion) albeit a greenfield option, or (b) business collaboration (Wonder and One Asia), can be a logical way forward to strengthen innovation capabilities, foray into global markets.

Our view and analysis on such global partnerships:

- Promoters with long term vision to create R&D first company and catering to the world, should consider this option
- Global players who are bullish on India consumer growth narrative and believe in the manufacturing prowess of Indian players, are showing interest in exploring this alternative.

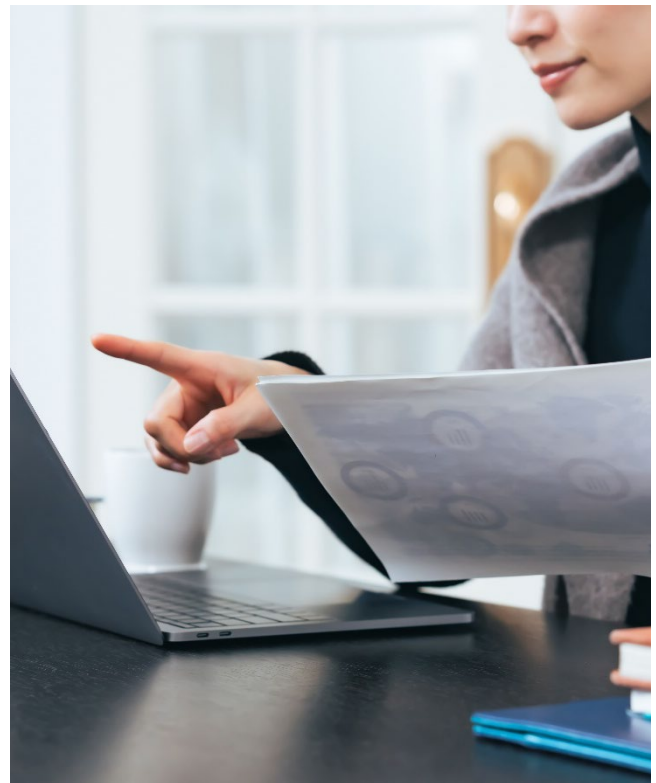


M&A theme III – Opportunistic asset acquisition opportunities

- IIIA: Indian players are evaluating opportunities to acquire manufacturing facilities with established clientele that are being divested by large FMCG multinational majors. This is part of their global strategy focused on optimizing production footprints and shifting the production of non-core product categories to contract manufacturers
- IIIB: Increasingly, Indian players are also considering acquisitions in the contract manufacturing space in overseas geography, particularly where operations are run sub-optimally in terms of scale, profitability, or both
- This trend has led Indian companies to acquire such facilities both in India and globally, scaling up operations and turning around these assets with their proficient management style
- These transactions create win-win scenarios for both sellers and buyers. For example, a seller with an FMCG brand can achieve asset-light operations, while a sub-scale CMO can monetize its assets. The buyer, in turn, gains immediate scale and revenue.
- For instance, Hindustan Foods' acquisition of a global FMCG player's facility in North India, Wonder Group's acquisition in Central India, and Makson's acquisition in the U.K., exemplify this strategy. These cases demonstrate how Indian players are acquiring scale and capability by targeting opportunistic assets both in India and globally.

Our view and analysis on such transaction opportunities:

- Promoters with capital/ ability to raise funds, should explore and evaluate these acquisition ideas – inorganic strategy to complete the portfolio (product/customer/capability/footprint) is a great enabler.



M&A theme IV – PE backed niche contract manufacturing play

- While a few scaled players exist with diversified capabilities across multiple product categories and suited for platform play, the market structure allows for both large platform companies and specialised niche players to coexist and thrive
- This dynamic creates another theme - minority PE fund raise opportunity for some of these niche players with clear charted out strategy for growth
- This could be best suited for companies with EBITDA > 5 Mn USD and > 20 per cent+ growth trajectory and led by passionate founders who have taken the right steps in terms of R&D focused play, onboarding strategic customer accounts and are able to underwrite 20 per cent+ growth over next four to five years
- This helps companies to focus on strengthening R&D capabilities, diversify into export customer base, build professional management and create scaled-up contract manufacturing business in the categories in which they exist
- Such players are likely to get consolidated into a larger platform/ global strategic/see participation by a Tier-I PE fund in four to five years.

Our view and analysis on such PE fund raise opportunities:

- Tier II category PE funds looking to back enterprising promoters and be a part of the growth wave expected in Indian contract manufacturing space should be considering this theme
- Investors need to be careful of the following while backing such a platform –
 - Revenue visibility: While high utilization rates and long-term contracts provide stability, ability to add new customer accounts and ability to continue to add new products and increase wallet share with strategic accounts is key to continued growth
 - Margin resilience: Asset-light, innovation-driven models deliver decent margins and returns
 - Extent of promoter's involvement in the business and vision to grow
- Most of these transactions have happened in the multiple range of 13x-17x trailing EBITDA. A combination of well justified entry valuation and upside offer for promoters could be return accretive to the investors.

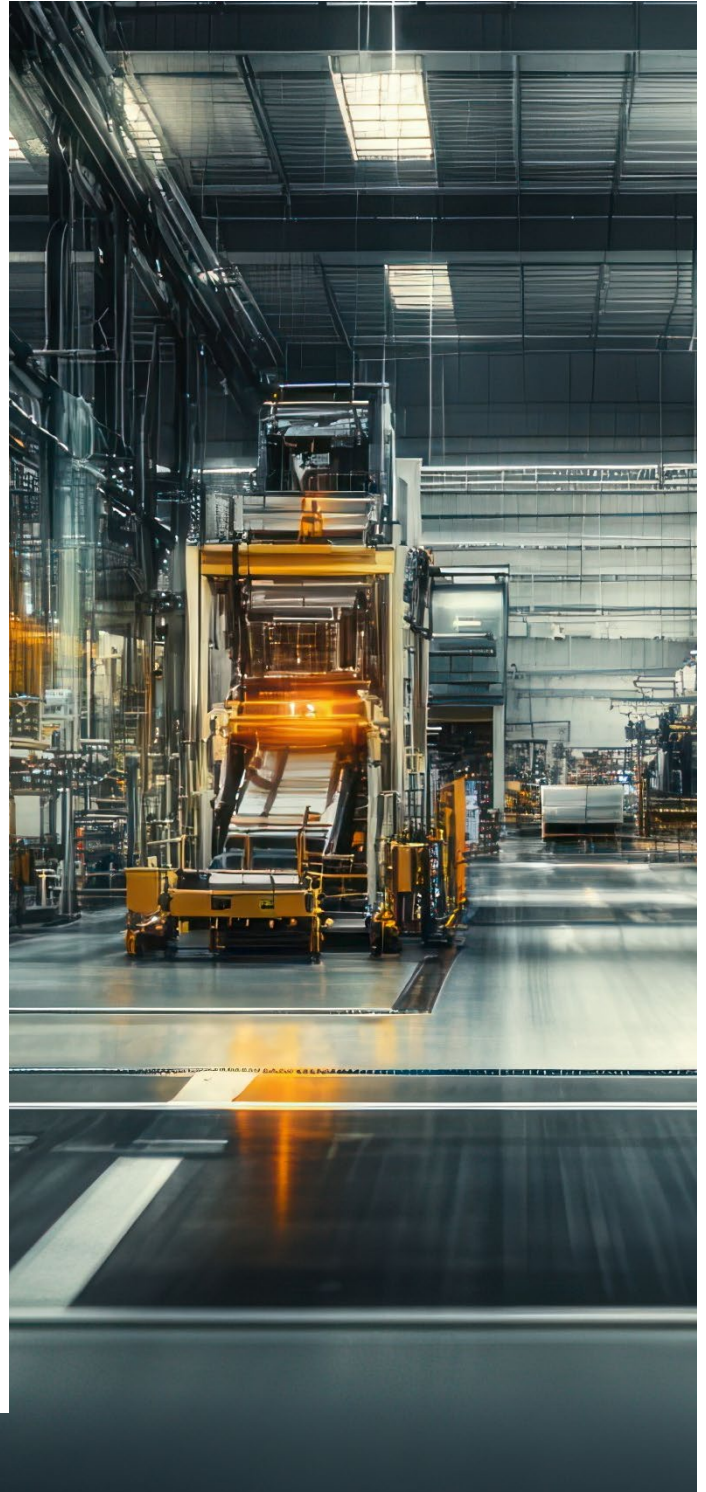


06

Conclusion

India's FMCG contract manufacturing sector is at a pivotal moment. Structural growth drivers, strategic deal activity, and a re-rating by capital markets as a quasi-consumer story are converging to create one of the most attractive opportunities in the global manufacturing landscape.

For industry participants, the strategic imperative is clear: build comprehensive capabilities, achieve scale advantages, and invest in quality and innovation to capture the substantial opportunities created by India's expanding consumer markets and evolving brand strategies. The companies that successfully execute these strategies could participate in one of India's most attractive industrial growth stories while contributing to the country's emergence as a global manufacturing hub for consumer products.



List of abbreviations

BPC: Beauty & Personal Care

BRC: British Retail Consortium

CDMO: Contract Development & Manufacturing Organizations

CMO: Contract Manufacturing Organizations

D2C: Direct-to-Consumer

EBITDA: Earnings Before Interest Tax Depreciation & Amortisation

FMCG: Fast Moving Consumer Goods

GMO: Genetically modified organism

GTM: Go-To-Market

HACCP: Hazard Analysis Critical Control Points

ISO: The International Organization for Standardization

JV: Joint Venture

M&A: Mergers & Acquisitions

MoCRA: Modernization of Cosmetics Regulation Act

NSF: National Science Foundation

PE: Private Equity

R&D: Research & Development

ROCE: Return on Capital Employed

US-FDA: United States Food and Drug Administration

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