

The Indian FMCG* sector – Q1FY26

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*Fast moving consumer goods

The sector is growing steadily, supported by rural-led growth, reduced input cost, low food inflation and rapid expansion of e-commerce and q-commerce


INR53 tn

Projected market size FY21-27¹

13.9%

Value growth in Q1FY26²

6%

Volume growth in Q1FY26²

1.8%

The food inflation in July 2025⁸

Segmental performance

In Q1FY26, amid increasing competition, FMCG companies are focused on channel engagement, reshaping urban retail dynamics, adopting latest technologies and strategic investments

Q1FY26 volume growth (Q-o-Q)

Urban²
4.6%
 up 2.0% from Q4FY25²

Urban growth remains subdued while rural demand shows recovery²

Rural²
8.4%
 up 0.1% from Q4FY25²

Food²
5.5%
 up 0.7% from Q4FY25²

Personal and home care products expanding faster than food and beverages²

Home and personal²
7.5%
 up 1.8% from Q4FY25²

Key growth factors²:

- Growth in e-commerce
- Rise of small manufacturers
- Urbanisation
- Surge in smaller pack consumption.

Performance snapshot

Trends

Decline in consumer confidence in May'25³

95.4

Moderated by 1.7 points from Jan'25³

FDI received between Apr 2000-Dec 2024¹

INR 1.1tn

For food processing industry

¹Foreign direct investment

Government interventions to drive growth⁴

1.4 lakh

Food processing projects approved to boost rural economy

E-commerce channels growth¹

18%

Annual growth of 2025

Driven by smartphone users and online shopper penetration

Challenges

Uncertain global financial markets⁵

Impacting urban growth

Volatility in raw material prices and adverse weather events

Unseasonal rains and short summer⁵

Destocking of summer portfolios, companies cut production in April-May 2025 to normalise inventory after Q4FY25 build-up

Quick-commerce disruption⁶

E-comm are weakening

supply chain players in e-comm and modern trade are lagging

Preference towards⁶

Smaller unit packs as economical alternatives
 A higher unit growth than volume growth

Outlook

Strengthen rural network¹
Increased in D2C* brands, India launched 600+ D2C brands since 2016¹
¹Direct-to-consumer

 Rapid q-commerce expansion into tier-II and tier-III cities¹
Favourable monsoon expected²

Key takeaways

Consumer-driven revenue growth expected¹
Reduced BCD* on edible oils from 20 per cent to 10 per cent in June 2025⁷
⁷Basic duty custom

 Increased consumption in non-metro areas¹
Input cost started to ease, likely to flow from 2HFY26⁵
Proactive portfolio transformation and distribution expansion⁵

Source: 1) FMCG Industry in India, IBEF, May 2025; 2) Rural demand continued to outpace urban in April-June period, IBEF, August 2025; 3) Consumer confidence survey, RBI, May 2025; 4) Over 1.4 Lakh Food Processing Projects Approved Under MoFPI Schemes to Boost Rural Economy, IBEF, August 2025; 5) Philip Capital, Refinitive, July 2025; 6) EMIS report, July 2025; 7) Centre reduces Basic Custom duty (BCD) on major imported Crude edible Oils from 20% to 10%; PIB, June 2025; 8) Consumer price index numbers on base 2012=100 for rural, urban and combined for the month of July, 2025; PIB, 12 August 2025

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