

The Indian FMCG* sector – Q2FY26

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*Fast moving consumer goods

FMCG growth is likely to accelerate basis goods and services tax (GST) reforms, flexible spending, easing inflation and digital retail boom


INR55 tn

Projected market size FY21-27¹

27.9%

Expected CAGR* FY21-27¹

INR30 tn

Expected annual gross merchandise value by 2030¹

-2.3%

Food inflation in Sep 2025²

*Compounded Annually Growth Rate

Segmental performance

FMCG companies may focus on channel engagement, reshaping urban retail dynamics, adopting new technologies and strategic investments

Urban³**-5.2%**Food inflation rates for Oct 2025³Rural³**-4.9%**Impact of GST cut on FMCG sector⁴**6-7%**

Price reduced for processed fish and marine products

**5-7%**

Price reduced for dairy products

Key growth factors¹

- GST reforms
- Festive season
- Digital adaption
- Deeper ruler market engagement.

GST reforms impacted inflation rate decline³

Demand is likely to increase due to GST reforms⁴

Performance snapshot

Trends

Increase in consumer confidence in Sep 2025⁵

**96.9 pts**

Moderated by 0.4 points from July 2025

Growth in consumer spending⁶

**INR 12-14 tn**

Driven by GST reform, festive and marriage seasons

Government interventions to drive growth¹

**INR41.7 tn**

Food processing projects approved to boost rural economy

E-commerce channels growth⁷

**85%**

Driven by festive sales majorly in tier-II and tier-III cities

Volume growth in Sep 2025

Challenges

Inflationary pressures on margins¹

FMCG companies faced inflationary strain in foods and premium personal care categories

High competition in product launches¹

FMCG launches surged 1.8x in 2025, yet 4 per cent gained minimal penetration

Low penetration in rural markets¹

Untapped opportunities due to limited brand reach and infrastructure gaps

Operational challenges from GST transition¹

Requires pricing, enterprise resource planning and supply chain structural adjustments

Outlook



FMCG firms target India's rising pet food demand, driven by increasing pet ownership and disposable incomes¹



Indian dairy firms are projected to grow 11-13 per cent in FY26, led by value-added products, with improved margins¹



E-commerce is expected to boost demand by consumer convenience like apps, websites and home delivery¹



FMCG sector projects 6–8 per cent FY26 growth, supported by rising urban demand and steady rural consumption¹

Key takeaways



Revenue is majorly driven by festive demand, rural spending and supportive tax policies⁷



Q-commerce is growing at a 70-80 per cent CAGR, India is expected to be one of the world's first scaled market, operating across 80 cities¹



Rural India now leads in premium FMCG, with affordable and super premium products¹



Generative artificial intelligence (AI) may streamline content, engagement and personalised marketing¹



Increased rural consumption presents an opportunity for expanding distribution networks in tier-II and tier-III cities¹

Source: 1) FMCG Industry in India, IBEF, Aug 25; 2) Consumer price index numbers on base 2012=100 for rural, urban and combined for the month of September, 2025, PIB, Oct 25; 3) Consumer price index numbers on base 2012=100 for rural, urban and combined for the month of October, 2025, PIB, Nov 2025; 4) GST Rationalisation: From Coffee Farms to Tech Hubs, Boosting Karnataka's Growth Story, PIB, Oct 25; 5) Urban Consumer Confidence Survey, RBI, Oct 25; 6) Consumer spending expected to touch US\$ 157.8 billion this festive season, IBEF, Oct 25; 7) The festive rush: How FMCG sector is driving Diwali purchases and demand, IBEF, Oct 25

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