

Supportive Macro Trends for Consumption Growth

India's economic and market outlook currently provides a promising environment for investors. The macro landscape is steadily improving—with inflation moderating to 3.34%, global crude oil prices comfortably remaining below \$70, and the RBI implementing a series of measured rate cuts to support growth. In light of the economic slowdown, the government has shifted its focus to boosting domestic consumption through modest tax cuts and supportive fiscal measures. These developments set a favorable stage for consumer sectors, making both discretionary and non-discretionary consumer-facing companies potential beneficiaries.

At the heart of this outlook is a clear rationale. Lower inflation translates directly into increased real disposable incomes, thereby strengthening consumer confidence and driving higher spending. The RBI's recent rate cuts have eased borrowing conditions, which not only encourages a modest rise in loan demand but also contributes to improved net interest margins for consumer financing businesses. In particular, NBFCs that specialize in consumer financing are well positioned to benefit from both heightened consumer activity and improved margins due to lower funding costs. Additionally, stable energy prices—evidenced by crude oil consistently trading below \$70—help maintain predictable operating costs for both businesses and households. Moreover, the government's prudent approach to stimulating domestic demand amid ongoing slowdown challenges is expected to foster a steady cycle of enhanced consumer expenditure.

In summary, the convergence of an improving macro environment, a supportive policy stance, and rising domestic demand creates a compelling case for investment. Based on these factors, we have identified select stocks in consumer-facing sectors and NBFCs that are well-positioned to benefit from these tailwinds.

Stock	Rationale	Target Price*
Bajaj Finance	A leading NBFC in India with a strong presence across urban and rural markets, growing its AUM consistently in the 25–27% range, while steadily expanding its customer base and diversifying its financial product offerings.	9,337
United Spirits	United Spirits is poised for strong performance, driven by premiumization, revamped brands, and new launches from Diageo's global portfolio, supporting revenue growth, margin expansion, and rising market share.	1,691
Hero MotoCorp	India's largest two-wheeler manufacturer, with a dominant ~78% share in the entry-level motorcycle segment, is focusing on scaling up in EV and premium categories through strategic partnerships and continuous product innovation.	4,810
M&M Financial Services	MMFS is on a strong growth trajectory, supported by rural presence, promoter backing, and diversification. Rate cuts, AUM growth, and operational efficiency are expected to significantly enhance profitability and scalability.	342
Jyothy Labs	A leading FMCG player is eyeing double-digit revenue growth driven by volume-led strategy, growing demand for liquid formats, and sustained investments in brands, innovation, and new product launches, with 16–17% EBITDA margin guidance.	548

*Target price are based upon Q3FY25 results, which will be updated after Q4FY25 results

Research Team

Name	Email Id
Ajit Mishra	ajit.mishra@religare.com
Abhijeet Banerjee	abhijeet.banerjee@religare.com
Gaurav Sharma	gauravsharma2@religare.com
Ashwani Harit	ashwani.harit@religare.com
Divya Parmar	divya.parmar@religare.com
Vinay Kalani	vinay.kalani1@religare.com
Rajan Gupta	rajan.gupta1@religare.com

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