



## MARC Insights

# The Growing trend of Contract Manufacturing in India's FMCG sector

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November 2025



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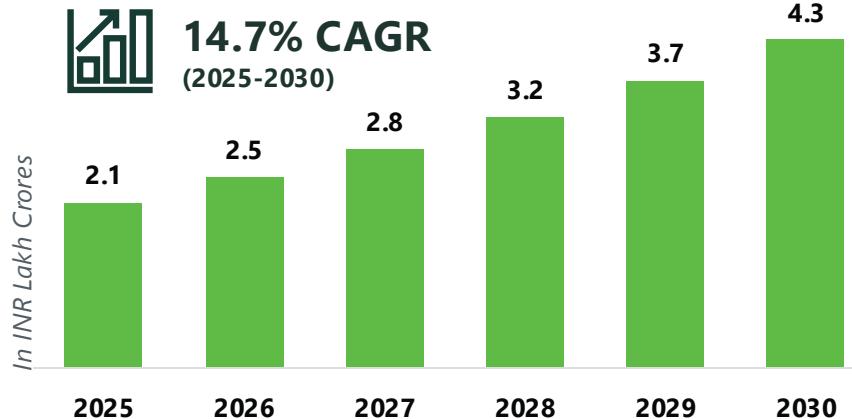
(WIP)

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# Overview of Contract Manufacturing in India

Contract manufacturing is a business model in which a company outsources the production of components or finished goods to a third-party manufacturer. This approach allows firms to expand capacity, reduce overheads, and scale operations without investing into manufacturing facilities.

## Market size of Indian Contract Manufacturing



## Government incentives Supporting Contract Manufacturing



### 100% FDI Permitted

The Indian government supports the sector primarily by allowing 100% foreign direct investment (FDI) under the automatic route.



### Sales Allowed with 30% Local Sourcing Compliance

Foreign single-brand retail enterprises are permitted to sell goods manufactured in India, provided they meet the 30% local sourcing requirement.



### National Policy on Electronics (NPE)

The policy expanded India's electronics production to INR 11.3 lakh crore in FY25 and targets to build INR 41.5 lakh crore ecosystem by 2031, strengthening production of components and semiconductors.

## Types of Contract Manufacturers

### Labor Contract Manufacturing

Contract manufacturer is outsourced only for specific processes like packaging, assembly, or specialized services, rather than the entire product manufacturing.

### Individual Component Manufacturing

Contract manufacturer produces specific parts or components which are supplied to the hiring company for final assembly.

### End to End Manufacturing

The contract manufacturer is outsourced the entire production process including design, raw material sourcing, manufacturing, quality control, and packaging.

### Private Label Manufacturing

Contract manufacturer produces finished goods entirely based on the hiring company's specifications.

Source: Acclime, Research And Markets, Oaktree, PIB

# Overview of the FMCG Sector in India

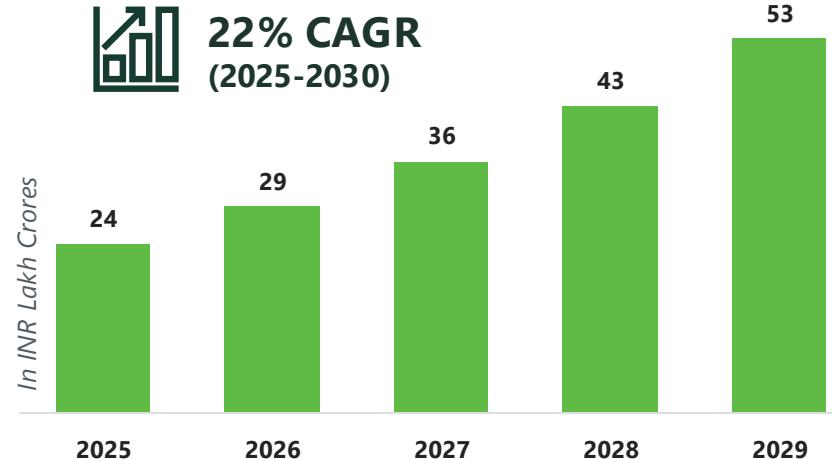
The Fast-Moving Consumer Goods (FMCG) sector is one of India's largest and most dynamic industries, encompassing packaged foods, beverages, personal care, and household products. Driven by intense competition, evolving consumer preferences, and a strong mix of global and domestic players, it remains a key engine of growth and innovation in the Indian economy.

## KPIs of Indian FMCG Sector



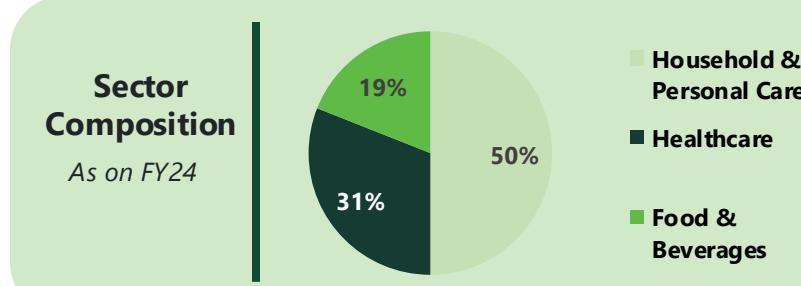
All KPIs are as of FY25

## Market size of FMCG Sector



The Indian FMCG market is expected to increase at a **CAGR of 22%** to reach **INR 53 Lakhs Crore by 2030**, from **INR 24 Lakhs Crore in 2024**.

The growth of India's FMCG industry is primarily driven by increasing disposable incomes, greater brand awareness, and a rapidly expanding youth population.



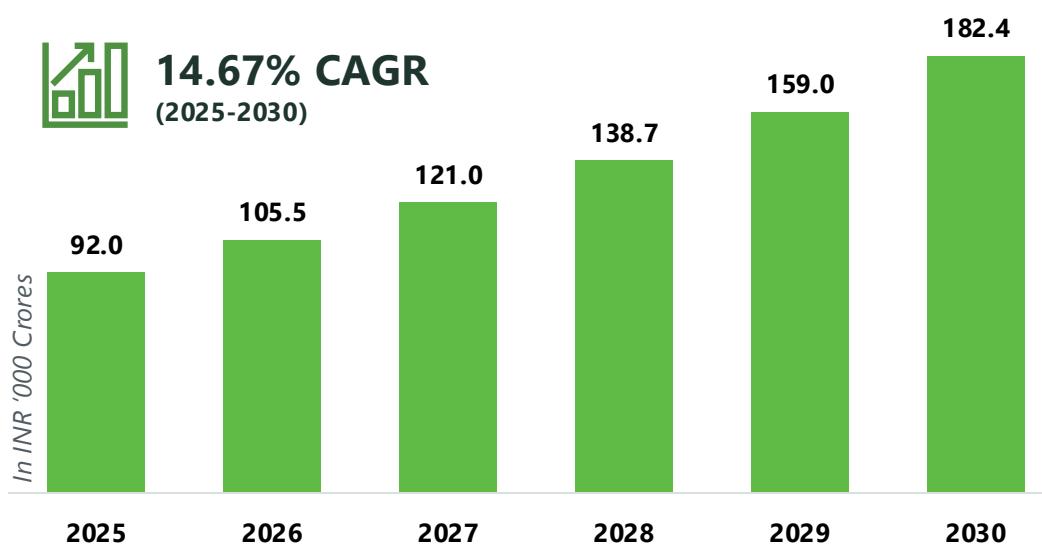
Accounting for about 50% of the FMCG market, the household and personal care segment reflects growing consumer emphasis on hygiene, grooming, and lifestyle products, supported by rising income levels and urbanization.

Source: *Indian Macro Indicators, IBEF*

# Contract Manufacturing: A Growth Engine for India's FMCG Sector

Contract Manufacturing is accelerating FMCG growth through support to D2C scale, innovative partnerships, R&D tie-ups, export readiness, and manufacturing automation.

Market size of FMCG Contract Manufacturing Organizations in India



India's FMCG contract manufacturing market is estimated at INR 92,000 Crores in 2025 and projected to grow at a CAGR of 14.67% to reach INR 1,82,400 by 2030. This growth reflects increasing outsourcing by FMCG brands seeking asset-light models, product innovation, and flexibility in scaling operations.

Source: [Research And Markets](#), [KPMG](#), [MARC Analysis](#)

Key Forces Driving Growth in FMCG Contract Manufacturing



## Rise of D2C Brands & Small-Batch manufacturing

D2C and e-commerce players focus on branding while outsourcing entire production to contract manufacturers. Growing D2C brands demand agile, small-batch, multi-SKU production capabilities from contract partners.



## Innovation Partnerships with FMCG Majors

FMCG giants are collaborating with R&D-driven contract manufacturers for faster new product launches.



## Export & Global Compliance Push

India gaining traction as a global CM hub due to US-FDA/NSF compliance and cost advantage over China.



## Technology & Automation Adoption

Advanced production systems and supply-chain automation improving efficiency and compliance.

# Shifting Dynamics: From In House to Contract Manufacturing

Contract manufacturing is reshaping India's FMCG sector by making operations leaner, faster, and more competitive while strong consumer demand and specialized manufacturing expertise drive this shift.



## Cost Efficiency

Reduces capital outlay on plants, machinery, and labor by leveraging third-party expertise and infrastructure.



## Specialized Expertise

Offers technical knowledge, process specialization that may be costly or unavailable in-house.



## Shorter time to Market

Leverages established production setups for faster launch of new products.



## Regulatory Management

Navigating complex compliance and certifications is easier by outsourcing to partners who have regulatory approvals.



## Agility and Scalability

Facilitates rapid scaling up/down of production to respond to market demand fluctuations.



## Core Competences

Companies can concentrate on product development, branding, consumer engagement, and distribution.

Source: [Technovaglobal CMPLII](#)

# Drawbacks of Contract Manufacturing

Although contract manufacturing delivers meaningful speed and scale, companies should pair it with strong governance on quality, IP protection, and supplier resilience to ensure the benefits are sustainable.



## Loss of Control

Limited visibility over production quality and processes once manufacturing is outsourced to third parties.



## Supplier Dependency

Operational or financial issues at the manufacturer can disrupt supply chains and delivery timelines.



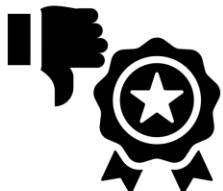
## Quality Inconsistency

Differences in equipment or standards across manufacturers can lead to variations in product quality.



## Intellectual Property Risk

Sharing formulations and packaging designs increases the risk of imitation or data leakage.



## Brand Reputation Risk

Quality lapses or non-compliance by the manufacturer can damage the FMCG brand's market image.



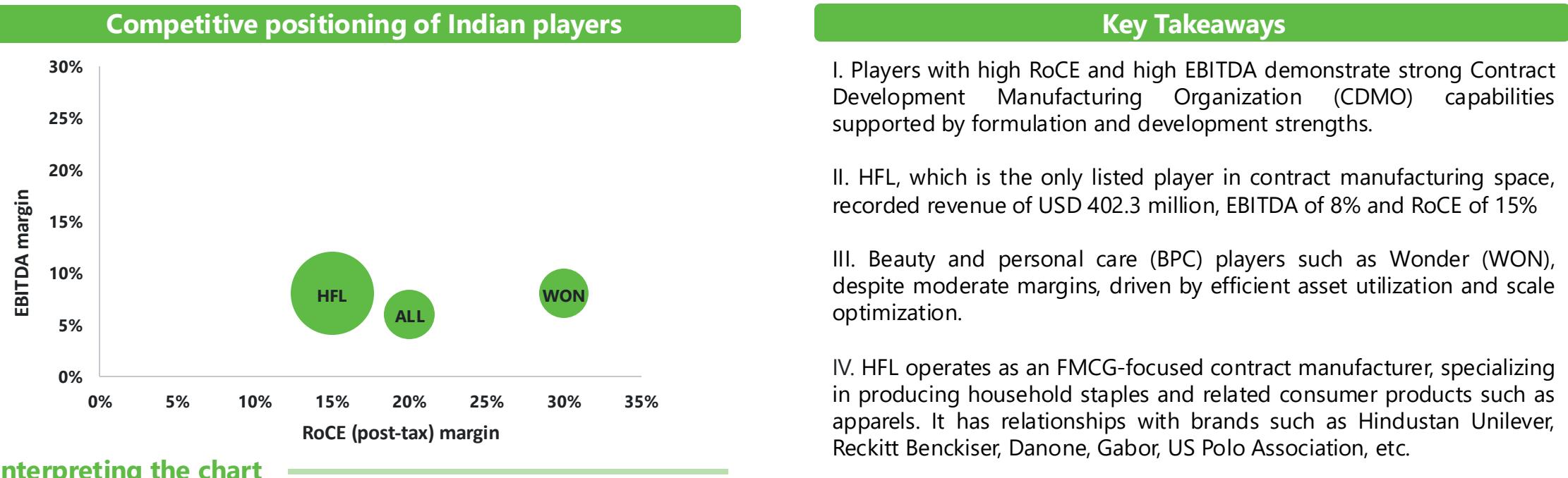
## Hidden & Logistical Costs

Shipping delays, tariffs, or compliance expenses may offset the expected cost savings.

Source: [Comanufacturers](#)

# Contract Manufacturing Competition in India's FMCG Sector

Contract manufacturers in Beauty & Personal Care generate higher returns as compared to Food/Neutra, which operate under stringent regulatory constraints.



## Interpreting the chart

- 1) Each bubble indicates a player in contract manufacturing sector in India.
- 2) X – axis depicts indicative FY24 RoCE (post tax) margin in percentage terms.
- 3) Y – Axis depicts indicative FY25 EBITDA margin in percentage terms.
- 4) Size of the bubble indicates estimated FY25 revenue.

Source: KPMG - estimated figures are based on management discussion/market intelligence, etc.

Refer to Annexure I for a summary of these players, including their Revenues, EBITDA (%), and Indicative ROCE (%).

# Brief Overview of Key players

Tags	Nature	Revenue (INR Mn)	EBITDA (%)	Indicative RoCE (%)
HFL	FMCG	35,644	8%	15%
WON	FMCG	12,500	8%	30%
ALL	FMCG	13,000	6%	20%
IPF	Beauty & Personal Care	17,000	5%	18%
ORI	Beauty & Personal Care	6,800	3%	17%
CLA	FMCG / Pharma	13,000	6%	28%
STE	FMCG	6,400	6%	17%
RMC	Beauty & Personal Care	15,542	3%	15%
VVF	FMCG	22,089	4%	13%
MGS	Beauty & Personal Care	3,600	10%	30%
KAP	Beauty & Personal Care	3,182	12%	28%
SHI	FMCG	10,072	6%	14%

Tags	Nature	Revenue (INR Mn)	EBITDA (%)	Indicative RoCE (%)
NAT	Beauty & Personal Care	1,800	18%	42%
PON	FMCG	3,200	12%	15%
HIT	Beauty & Personal Care	1,200	20%	30%
C&G	Pharma / Healthcare	4,500	17%	18%
FCM1	FMCG	10,000	18%	11%
HAL	Pharma / Healthcare	3,599	16%	29%
PUR	Pharma / Healthcare	4,185	20%	25%
ZEO	Beauty & Personal Care	2,000	16%	15%
SUP	FMCG	1,500	15%	20%
KAY	Beauty & Personal Care	3,353	20%	8%

**HFL, WON, and ALL** represent the largest entities, with **HFL** at **INR 35,644 Mn** revenue, **8% EBITDA**, and **15% RoCE**, followed by **WON** at **INR 12,500 Mn** with **8% EBITDA** and **30% RoCE**, and **ALL** at **INR 13,000 mn** with **6% EBITDA** and **20% RoCE**. The remaining players operate at **smaller scales**, ranging from **INR 1,200–22,089 Mn** in revenue, with **EBITDA margins** spanning **3–20%** and **RoCE** values varying between **8–42%**. These peers show broader dispersion in size and financial metrics relative to the top three.

\*The Revenue mentioned in the above table is a mixture of actual company revenue and estimations as per  
 Source: KPMG (¹) FY25 (actual) (²) FY25 (estimated) (³) FY24 (actual) (⁴) FY24 (estimated)—estimated figures are based on management discussion/market intelligence, etc.

# M&A Deal & Themes Shaping FMCG Contract Manufacturing in India

Kotak Alternate Asset Managers' INR 1,050 crore majority investment in Tirupati Medicare highlights growing investor appetite for contract manufacturing platforms and points to a renewed upswing in dealmaking in this sector.

Date	Company/Target	Investor	Deal Type & Size
Mar 2025	Tirupati Medicare	Kotak Asset Managers	Majority – INR 1,050 Cr
Nov 2024	Pontika Aerotech	India SME Investments	Minority – INR 70 Cr
Sept 2023	Hindustan Foods	Convergent Finance	INR 160 Cr (Warrants)

## M&A Themes in Contract Manufacturers

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### Theme I: Diversified contract manufacturing platforms

*Build a scaled, multi-category contract manufacturing platform by starting with one strong company as the base and then acquiring smaller, complementary manufacturers to add capabilities and reach.*

### Theme III: Opportunistic asset acquisitions

*Acquire divested FMCG plants or underperforming CMOs (India or overseas) to gain instant capacity, customers, and geography, then improve utilization and margins.*

### Theme II: Global strategic partnerships

*Tie up with international contract manufacturers through JVs or collaborations to import R&D services and unlock exports, with large cross-border buyouts in the future.*

### Theme IV: Niche contract manufacturing play

*Provide minority growth capital to focused specialists, R&D-led with a few large, dependable customers, to professionalize and scale, setting up for later platform consolidation or strategic sale.*

Source: KPMG - estimated figures are based on management discussion/market intelligence, etc. Kotak

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# Empowering Success Stories

PATANJALI



mamaearth™

- Patanjali leveraged contract manufacturing partnerships with regional and MSME manufacturers to rapidly expand its FMCG portfolio particularly in personal care, food, and herbal products.
- These collaborations enabled faster scale-up of production capacity, cost efficiency, and widespread product availability across India's semi-urban and rural markets.

- Dabur's strategic alliance with contract manufacturers empowered the brand to navigate regulatory hurdles and optimize production efficiencies.
- By entrusting operations to specialized partners, Dabur focused on innovation, brand-building, and market expansion initiatives.

- Mamaearth partnered with ethical, eco-conscious contract manufacturers to overcome capacity constraints while maintaining product integrity and sustainability.
- These partnerships enabled faster market expansion and ensured consistent product quality.
- By aligning production with its values of authenticity and transparency, Mamaearth strengthened its reputation as a trusted D2C brand built on consumer trust and innovation.

Source: [CMPLII](#)



MANGAL ANALYTICS AND  
RESEARCH CONSULTING<sup>®</sup>

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# Contact

- +91-9359628675
- [contact@marcglocal.com](mailto:contact@marcglocal.com)
- [www.marcglocal.com](http://www.marcglocal.com)
- Head Office - 2<sup>nd</sup> floor, CMM bldg. Rua de Ourem, Panaji Goa 403001
- Mangaluru Office - #413, Ajantha Business Centre, Bejai-Kapikad Rd, Mangaluru, Karnataka 575003.