

HOLD

TP: Rs 5,742 | ▲ 6%

BRITANNIA INDUSTRIES

Consumer Staples

07 August 2025

Distribution gains driving volume growth

- Compared with Bloomberg consensus, sales were in line but EBITDA 7% lower on lower than expected cut in operating cost
- Focus states, adjacencies and innovations helped drive distribution led volume growth of 1.6%. Core markets likely remained soft
- Soft volume trends over the next 2-3 quarters unless consumer demand rebounds meaningfully, not “marginally” as was in the 1Q. **HOLD**

1QFY26 result summary: Sales of Rs46bn, +9% YoY with flat EBITDA as margins contracted 135bps to 16.4%. The 1Q deterioration in gross margins at 310bps YoY was lower vs 4Q at 480bps. Sales were in line with consensus and our estimates. EBITDA was 7% below consensus and 8% below our estimates. Gross margin was 90bps lower vs consensus but in line with our estimates.

Inflation, pricing, and market share: While 1QFY26 cost inflation was similar to 4QFY25, gross margin deterioration slowed sequentially. The company has now put though “almost” all pricing required to offset inflation and expects to sustain a 6%-8% pricing run rate over the next two to three quarters. With the softening of commodity prices though the 1QFY26 and reduction in palm oil import tariffs in May 2025, gross margins will improve sequentially. Britannia noted that historically branded players have gained market share during a stable cost environment.

FY26 outlook: With high pricing, we expect increased volume elasticity and adjust our sales forecasts accordingly to result in a slight downgrade on sales but upgrade on margins. Innovations, adjacencies and continued push on the Hindi belt will help distribution gains driven volumes, but we expect slower growth in the core markets. We forecast sales growth of 9.0% on 2.3% volume growth with EBITDA +8.6%.

Our view: While inflation is being offset with pricing, efficiencies and fiscal incentives, we expect volume growth to remain soft unless consumer spending picks up meaningfully to reduce the impact of elasticity. We continue to value BRIT in line with its 5Yr historical average P/E of 48x on 12m to Jun 2027 EPS. Our target price increases from Rs5,715 to Rs5,742. Hold with a +6% return.

(Rs mn)	Actual			Reported vs (%)	
	1Q25	1Q26	YoY	BoB	Cons.
Sales	42,503	46,222	8.8	0.1	0.2
EBITDA	7,537	7,571	0.4	(8.0)	(7.1)
EBITDA margin (%)	17.7	16.4	(135bps)	(144bps)	(129bps)

Source: Company, Bloomberg, BOBCAPS Research

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Key changes

Target	Rating
▲	◀ ▶

Ticker/Price	BRIT IN/Rs 5,403
Market cap	US\$ 14.8bn
Free float	49%
3M ADV	US\$ 17.5mn
52wk high/low	Rs 6,470/Rs 4,506
Promoter/FPI/DII	51%/19%/30%

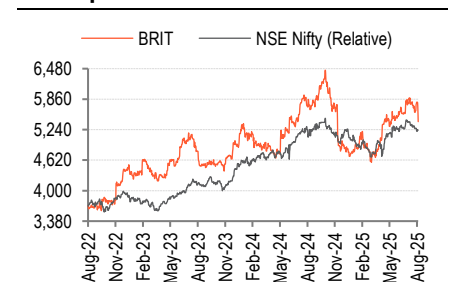
Source: NSE | Price as of 6 Aug 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	179,427	195,660	215,674
EBITDA (Rs mn)	31,872	34,602	39,524
Adj. net profit (Rs mn)	22,035	24,326	28,695
Adj. EPS (Rs)	91.5	101.0	119.1
Consensus EPS (Rs)	91.5	103.7	117.3
Adj. ROAE (%)	52.8	51.8	50.2
Adj. P/E (x)	59.1	53.5	45.4
EV/EBITDA (x)	41.5	38.0	33.1
Adj. EPS growth (%)	2.8	10.4	18.0

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



1QFY26 result review

Earnings revisions

- **Sales** – Our sales growth is relatively similar with higher pricing offset by greater elasticity. We expect slightly higher elasticity in FY26 with volume growth improving sequentially in FY27.
- **Margins** – Our EBITDA margins are slightly higher for both FY26 and FY27. Higher than expected pricing is driving margin gains partly offset by reduced leverage from slower than earlier volume recovery.

Fig 1 – Britannia earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY25	FY26	FY26	Change	FY27	FY27	Change	FY28	FY28	Change
Sales	179,427	195,660	195,866	(0.1)	215,674	215,901	(0.1)	236,422	n/a	n/a
EBITDA	31,872	34,602	33,517	3.2	39,524	39,223	0.8	43,619	n/a	n/a
EBITDA Margin (%)	17.8	17.7	17.1	57bps	18.3	18.2	16bps	18.4	n/a	n/a
Adj. PAT	22,035	24,326	23,762	2.4	28,695	28,558	0.5	32,572	n/a	n/a
Adj. EPS	91.5	101.0	98.60	2.4	119.1	118.5	0.5	135.2	n/a	n/a

Source: Company, Bloomberg, BOBCAPS Research

Valuation

Britannia has traded at 5Yr average P/E of 48x on 1-year forward EPS. We value Britannia in line with its 5Yr historical average P/E on 12m to June 2027 EPS. Our target price changes to Rs5,742 from Rs5,715. Share price return of +6% – Hold.

Risks

Key upside / downside risks to our estimates are:

- Sharp decline / increase in commodity prices,
- Stronger / weaker and faster / slower recovery in rural / urban,
- Lower / higher than expected demand elasticity on pricing,
- Reduced / increased competitive intensity

Financials

Income Statement

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Total revenue	167,693	179,427	195,660	215,674	236,422
EBITDA	31,698	31,872	34,602	39,524	43,619
Depreciation	3,005	3,133	3,134	2,924	2,881
EBIT	28,694	28,738	31,469	36,599	40,737
Net interest inc./(exp.)	(1,640)	(1,388)	(1,107)	(529)	215
Other inc./(exp.)	2,142	2,271	2,126	2,146	2,393
Exceptional items	29	248	0	0	0
EBT	29,196	29,621	32,487	38,216	43,346
Income taxes	7,793	7,487	8,039	9,462	10,734
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(88)	(116)	(136)	(70)	(95)
Reported net profit	21,398	21,787	24,326	28,695	32,572
Adjustments	29	248	0	0	0
Adjusted net profit	21,427	22,035	24,326	28,695	32,572

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	16,275	17,522	19,086	21,137	23,138
Other current liabilities	13,204	13,542	13,542	13,542	13,542
Provisions	326	344	344	344	344
Debt funds	20,412	12,248	8,248	(3,752)	(3,752)
Other liabilities	858	917	917	917	917
Equity capital	241	241	241	241	241
Reserves & surplus	39,419	43,572	49,831	64,117	78,531
Shareholders' fund	39,660	43,813	50,072	64,358	78,772
Total liab. and equities	90,736	88,386	92,208	96,545	112,960
Cash and cash eq.	3,228	1,328	1,272	4,070	17,679
Accounts receivables	3,933	4,486	5,902	6,539	7,168
Inventories	11,812	12,365	16,298	17,968	19,479
Other current assets	29,513	20,958	20,958	20,958	20,958
Investments	5,194	773	773	773	773
Net fixed assets	27,905	28,238	26,768	26,000	26,665
CWIP	0	0	0	0	0
Intangible assets	1,407	1,309	1,309	1,309	1,309
Deferred tax assets, net	0	0	0	0	0
Other assets	7,743	18,929	18,929	18,929	18,929
Total assets	90,736	88,386	92,208	96,545	112,960

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	25,730	24,807	23,081	30,175	33,185
Capital expenditures	(5,615)	(3,749)	(1,663)	(2,157)	(3,546)
Change in investments	8,302	3,033	0	0	0
Other investing cash flows	2,068	1,559	1,701	1,717	1,915
Cash flow from investing	4,755	844	37	(440)	(1,632)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(9,402)	(8,208)	(4,000)	(12,000)	0
Interest expenses	0	0	0	0	0
Dividends paid	(17,325)	(17,675)	(18,068)	(14,409)	(18,159)
Other financing cash flows	(1,578)	(1,735)	(1,107)	(529)	215
Cash flow from financing	(28,305)	(27,619)	(23,174)	(26,938)	(17,944)
Chg in cash & cash eq.	2,182	(1,984)	(56)	2,798	13,609
Closing cash & cash eq.	3,228	1,328	1,272	4,070	17,679

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	88.8	90.5	101.0	119.1	135.2
Adjusted EPS	88.9	91.5	101.0	119.1	135.2
Dividend per share	73.5	75.0	59.8	75.4	84.9
Book value per share	164.6	181.9	207.9	267.2	327.0

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	7.9	7.4	6.7	6.1	5.5
EV/EBITDA	41.9	41.5	38.0	33.1	29.8
Adjusted P/E	60.7	59.1	53.5	45.4	40.0
P/BV	32.8	29.7	26.0	20.2	16.5

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.4	74.4	74.9	75.1	75.1
Interest burden (PBT/EBIT)	101.7	103.1	103.2	104.4	106.4
EBIT margin (EBIT/Revenue)	17.1	16.0	16.1	17.0	17.2
Asset turnover (Rev./Avg TA)	182.0	200.3	216.7	228.5	225.7
Leverage (Avg TA/Avg Equity)	2.4	2.1	1.9	1.6	1.5
Adjusted ROAE	56.9	52.8	51.8	50.2	45.5

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	2.9	7.0	9.0	10.2	9.6
EBITDA	12.0	0.5	8.6	14.2	10.4
Adjusted EPS	10.1	2.8	10.4	18.0	13.5

Profitability & Return ratios (%)

EBITDA margin	18.9	17.8	17.7	18.3	18.4
EBIT margin	17.1	16.0	16.1	17.0	17.2
Adjusted profit margin	12.8	12.3	12.4	13.3	13.8
Adjusted ROAE	56.9	52.8	51.8	50.2	45.5
ROCE	57.5	55.1	53.8	50.3	46.7

Working capital days (days)

Receivables	8	9	10	11	11
Inventory	46	42	45	49	49
Payables	59	58	57	57	58

Ratios (x)

Gross asset turnover	3.7	3.7	3.9	4.1	4.2
Current ratio	1.2	1.1	1.3	2.1	2.5
Net interest coverage ratio	17.5	20.7	28.4	69.2	(189.1)
Adjusted debt/equity	0.5	0.3	0.2	(0.1)	0.0

Source: Company, BOBCAPS Research | Note: TA = Total Assets

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BUY – Expected return >+15%

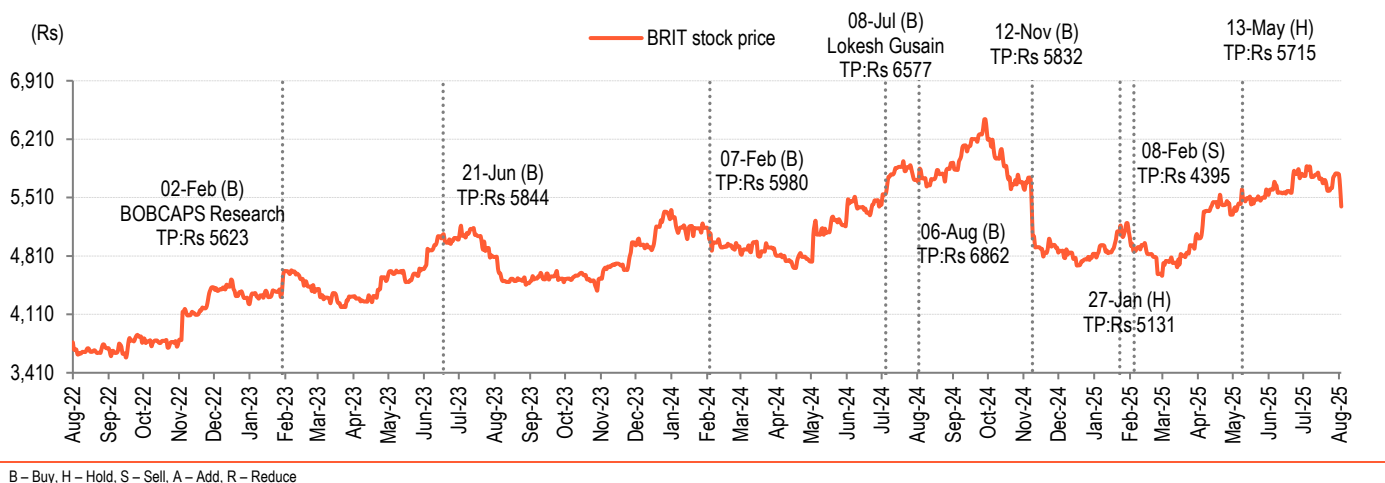
HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

Our recommendation scale does not factor in short-term stock price volatility related to market fluctuations. Thus, our recommendations may not always be strictly in line with the recommendation scale as shown above.

Ratings and Target Price (3-year history): BRITANNIA INDUSTRIES (BRIT IN)



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