

HOLD

TP: Rs 5,715 | ▲ 2%

BRITANNIA INDUSTRIES

Consumer Staples

13 May 2025

Savings and cost cuts to the rescue

- Sales were in line with consensus and our estimates but EBITDA 7% above consensus
- Cost savings and spending cuts are helping offset inflation. We upgrade FY26 and FY27 earnings due to lower operating costs
- BRIT sees FY26 as a “Test Year” of growing volumes despite pricing. Spending cuts may slow distribution gains. Hold on +2% return

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4QFY25 result summary: Britannia reported sales of Rs44billion, +9% YoY with EBITDA rising +2% as margins contracted 120bps to 18.2%. The 4Q deterioration in gross margins at 480bps YoY was lower vs 3Q at 515bps. Sales were in line with consensus and our estimates. EBITDA 7% above consensus and 15% above our estimates as Britannia cut Other expenses (lower A&P, efficiencies) 8% YoY.

Inflation and offsets: COGS inflation of 15% was lower vs our +18% estimate mainly due to tactical buying. While estimated pricing of 5.5% was insufficient to offset inflation with gross margins down 480bps YoY; tactical buying, operating cost cuts and savings initiatives restricted EBITDA margin contraction to 120bps. For 4QFY25, we estimate cost savings at 3.5+% of sales. Company has clarified that the bulk of it came from efficient buying implying it to be an unsustainable run rate.

Company guidance: Britannia does not intend to take further pricing in FY26. Some carry over impact from 4QFY25 will still flow through. The company has an “endeavor” to get to the double-digit sales growth run rate. We expect return to double digits sales growth profile in 4QFY26.

FY26 outlook: The combination of tactical buying, pricing and grammage reductions is helping recover cost inflation. For FY26, the gross margin percentage will still be down but we expect inflation to be offset in FY26. Our gross margin forecast for FY26 is 300bps down YoY to 37.9%. The expected run rate for FY26 savings is 2.5% of sales which adds to the 5%-6% pricing flowing through from 4QFY25 and a small part from 1QFY26. We also expect continued benefit from government incentives on new facilities in Maharashtra and UP. All in, we forecast EBITDA margin contraction of only 65bps to 17.1%.

Our view: Pricing, tactical buying, fiscal incentives and efficiencies are offsetting the current high inflationary scenario. We revise EBITDA 23% in FY26 and 20% in FY27 mainly on lower operating costs. We continue to value BRIT in line with its 5Yr historical average P/E of 48x on FY27 EPS. Our target price increases from Rs4,395 to Rs5,715 due to higher earnings. Upgrade to Hold with a +2% return.

Key changes

Target	Rating
▲	▲

Ticker/Price	BRIT IN/Rs 5,609
Market cap	US\$ 15.9bn
Free float	49%
3M ADV	US\$ 26.9mn
52wk high/low	Rs 6,470/Rs 4,506
Promoter/FPI/DII	51%/19%/30%

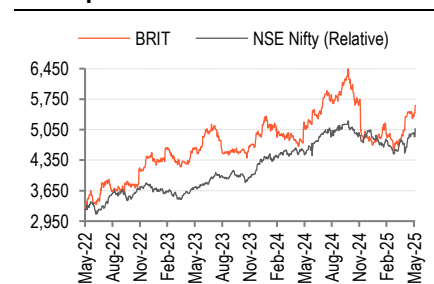
Source: NSE | Price as of 12 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	179,427	195,866	215,901
EBITDA (Rs mn)	31,872	33,517	39,223
Adj. net profit (Rs mn)	22,035	23,762	28,558
Adj. EPS (Rs)	91.5	98.6	118.5
Consensus EPS (Rs)	91.5	103.7	117.3
Adj. ROAE (%)	52.8	50.9	50.1
Adj. P/E (x)	61.3	56.9	47.3
EV/EBITDA (x)	43.1	40.7	34.7
Adj. EPS growth (%)	2.8	7.8	20.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE



4QFY25 result review

Fig 1 – Britannia 4QFY25 result summary

(Rs mn)	4Q24	4Q25	YoY (%)
Sales	40,694	44,322	8.9
Gross profit	18,269	17,773	(2.7)
EBITDA	7,875	8,052	2.3

Source: Company, Bloomberg, BOBCAPS Research

Earnings revisions

- **Sales** – Our sales growth is relatively similar with FY26 flat and FY27 up 1%. We expect slightly higher elasticity in FY26 as the bulk of pricing is already through. Volumes slightly better in FY27 as competitors follow pricing actions.
- **Margins** – Our EBITDA margins are higher across FY26 and FY27 by 280bps to 330bps. Such large revisions reflect slightly lower COGS but mainly spending cuts in the Other expenses line. Other expenses were down 2% in 3QFY25 and down 8% in 4QFY25. We expect declines to continue in FY26 as Britannia balances inflation with spending cuts to recover cost. The impact of such spending cuts on volume growth trajectory remains debatable. On a YoY basis, we forecast 4% lower other operating expenses for FY26 and 15% higher for FY27. Despite the YoY increase in FY27, other expenses as a percentage of sales is 17.7%, 260bps lower vs 20.3% in FY24.

Fig 2 – Britannia 4QFY25 earnings revisions

(Rs mn)	Actual	New	Old	(%)	New	Old	(%)	New	Old	(%)
	FY25	FY26	FY26	Change	FY27	FY27	Change	FY28	FY28	Change
Sales	179,427	195,866	196,825	(0.5)	215,901	212,841	1.4	236,671	n/a	n/a
EBITDA	31,872	33,517	27,178	23.3	39,223	32,624	20.2	41,124	n/a	n/a
EBITDA Margin (%)	17.8	17.1	13.8	330bps	18.2	15.3	284bps	17.4	n/a	n/a
Adj. PAT	22,035	23,762	18,557	28.0	28,558	23,269	22.7	30,776	n/a	n/a
Adj. EPS	91.47	98.64	77.03	28.0	118.55	96.59	22.7	127.75	n/a	n/a
Gross Margins (%)	40.9	37.9	35.2	271bps	39.65	36.8	286bps	39.71	n/a	n/a

Source: Company, Bloomberg, BOBCAPS Research

Valuation

Britannia is currently trading at 57x FY26E EPS. The stock 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 March 2027 EPS. Our target price changes to Rs5,715 from Rs4,395. Share price return of +2% – Upgrade to 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	195,866	215,901	236,671
EBITDA	31,698	31,872	33,517	39,223	41,124
Depreciation	3,005	3,133	3,068	2,932	2,888
EBIT	28,694	28,738	30,449	36,291	38,236
Net interest inc./(exp.)	(1,640)	(1,388)	(779)	(154)	154
Other inc./(exp.)	2,142	2,271	1,905	1,736	2,395
Exceptional items	29	248	0	0	0
EBT	29,196	29,621	31,575	37,873	40,786
Income taxes	7,793	7,487	7,736	9,279	9,993
Extraordinary items	0	0	0	0	0
Min. int./Inc. from assoc.	(88)	(116)	(95)	(50)	(73)
Reported net profit	21,398	21,787	23,762	28,558	30,776
Adjustments	29	248	0	0	0
Adjusted net profit	21,427	22,035	23,762	28,558	30,776

Balance Sheet

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Accounts payables	16,275	17,522	19,543	21,122	23,375
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	2,248	(2,752)	(2,752)
Other liabilities	858	917	917	917	917
Equity capital	241	241	241	241	241
Reserves & surplus	39,419	43,572	49,266	64,317	76,053
Shareholders' fund	39,660	43,813	49,507	64,557	76,294
Total liab. and equities	90,736	88,386	86,101	97,729	111,719
Cash and cash eq.	3,228	1,328	(6,095)	4,606	15,743
Accounts receivables	3,933	4,486	5,939	6,552	7,182
Inventories	11,812	12,365	17,454	18,540	20,101
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	26,835	26,062	26,724
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	86,101	97,729	111,719

Cash Flows

Y/E 31 Mar (Rs mn)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash flow from operations	25,730	24,807	21,565	30,134	31,655
Capital expenditures	(5,615)	(3,749)	(1,665)	(2,159)	(3,550)
Change in investments	8,302	3,033	0	0	0
Other investing cash flows	2,068	1,559	1,524	1,388	1,916
Cash flow from investing	4,755	844	(141)	(771)	(1,634)
Equities issued/Others	0	0	0	0	0
Debt raised/repaid	(9,402)	(8,208)	(10,000)	(5,000)	0
Interest expenses	0	0	0	0	0
Dividends paid	(17,325)	(17,675)	(18,068)	(13,508)	(19,039)
Other financing cash flows	(1,578)	(1,735)	(779)	(154)	154
Cash flow from financing	(28,305)	(27,619)	(28,847)	(18,662)	(18,885)
Chg in cash & cash eq.	2,182	(1,984)	(7,423)	10,702	11,136
Closing cash & cash eq.	3,228	1,328	(6,095)	4,606	15,743

Per Share

Y/E 31 Mar (Rs)	FY24A	FY25A	FY26E	FY27E	FY28E
Reported EPS	88.8	90.5	98.6	118.5	127.8
Adjusted EPS	88.9	91.5	98.6	118.5	127.8
Dividend per share	73.5	75.0	56.1	79.0	85.5
Book value per share	164.6	181.9	205.5	268.0	316.7

Valuations Ratios

Y/E 31 Mar (x)	FY24A	FY25A	FY26E	FY27E	FY28E
EV/Sales	8.2	7.7	7.0	6.3	5.7
EV/EBITDA	43.4	43.1	40.7	34.7	32.9
Adjusted P/E	63.1	61.3	56.9	47.3	43.9
P/BV	34.1	30.8	27.3	20.9	17.7

DuPont Analysis

Y/E 31 Mar (%)	FY24A	FY25A	FY26E	FY27E	FY28E
Tax burden (Net profit/PBT)	73.4	74.4	75.3	75.4	75.5
Interest burden (PBT/EBIT)	101.7	103.1	103.7	104.4	106.7
EBIT margin (EBIT/Revenue)	17.1	16.0	15.5	16.8	16.2
Asset turnover (Rev./Avg TA)	182.0	200.3	224.5	234.9	226.0
Leverage (Avg TA/Avg Equity)	2.4	2.1	1.9	1.6	1.5
Adjusted ROAE	56.9	52.8	50.9	50.1	43.7

Ratio Analysis

Y/E 31 Mar	FY24A	FY25A	FY26E	FY27E	FY28E
YoY growth (%)					
Revenue	2.9	7.0	9.2	10.2	9.6
EBITDA	12.0	0.5	5.2	17.0	4.8
Adjusted EPS	10.1	2.8	7.8	20.2	7.8

Profitability & Return ratios (%)

EBITDA margin	18.9	17.8	17.1	18.2	17.4
EBIT margin	17.1	16.0	15.5	16.8	16.2
Adjusted profit margin	12.8	12.3	12.1	13.2	13.0
Adjusted ROAE	56.9	52.8	50.9	50.1	43.7
ROCE	57.5	55.1	52.6	49.8	45.2

Working capital days (days)

Receivables	8	9	10	11	11
Inventory	46	42	45	50	49
Payables	59	58	56	57	57

Ratios (x)

Gross asset turnover	3.7	3.7	3.9	4.1	4.2
Current ratio	1.2	1.1	1.4	2.0	2.4
Net interest coverage ratio	17.5	20.7	39.1	235.6	(247.5)
Adjusted debt/equity	0.5	0.3	0.0	0.0	0.0

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

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BUY – Expected return >+15%

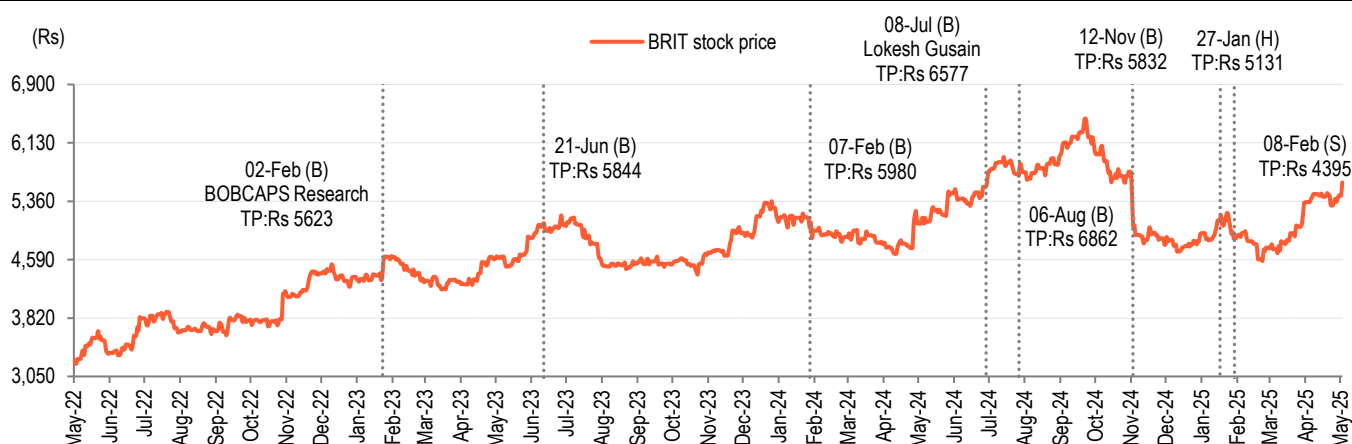
HOLD – Expected return from -6% to +15%

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)



B – Buy, H – Hold, S – Sell, A – Add, R – Reduce

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