

India

ADD (no change)

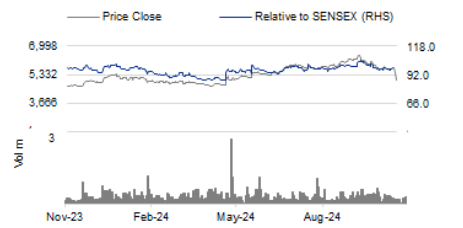
Consensus ratings*: Buy 20 Hold 12 Sell 6

Current price:	Rs5,028
Target price:	Rs5,610
Previous target:	Rs6,300
Up/downside:	11.6%
InCred Research / Consensus:	-4.0%
Reuters:	BRIT.NS
Bloomberg:	BRIT IN
Market cap:	US\$14,349m
	Rs1,210,977m
Average daily turnover:	US\$22.3m
	Rs1884.0m
Current shares o/s:	240.7m
Free float:	49.5%

*Source: Bloomberg

Key changes in this note

- Lower the target price to Rs5,610 from Rs6,300.
- Lower FY25F/26F EPS by 4%/5%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(15.9)	(10.9)	7.5
Relative (%)	(13.0)	(10.6)	(11.3)

Major shareholders	% held
Promoter	50.6
LIC	6.4
SBI	2.3

Britannia Industries Ltd

Focus remains on driving balanced growth

- Britannia Industries (Britannia) posted 4.9%/8% standalone value/volume growth, respectively, in 2Q. Rural markets grew 2x faster than urban markets.
- Sluggish urban demand, coupled with inflation, is expected to keep margins range-bound in the near term. A price hike of ~4-5% is expected in 2HFY25F.
- Focus on driving volume growth & the new RTM 2.0 is in the right direction. Retain ADD rating with a lower target price of Rs5,610 (52x Sep 2026F EPS).

Focus markets continue to outpace the rest of India

Britannia posted consol./standalone sales growth of 5.3%/4.9% yoy, respectively, in 2QFY25. Volume growth stood at 8%. Focus markets grew 1.9x higher than the rest of India. Britannia's market share remained flat in 1HFY25. The company's new route-to-market initiative (RTM 2.0) is currently being piloted in 25 cities, across more than 50,000 outlets. A similar project was run 8-10 years ago where distribution was split into two routes – one for high potential outlets and one for the rest. This time, Britannia has split the market based on deciles, where the first decile contributes to 53% of the business (80% in the top 3 deciles), which will get differential service, and should drive meaningful growth. Organized channels continue to do well, with quick commerce and e-commerce leading the growth, while modern trade performed reasonably well. Traditional trade remained slower. Gains from RTM 2.0, in our view, should start showing from next year onwards.

Rural markets recover slowly while urban markets are under stress

Britannia's management indicated a challenging environment in urban markets, which it attributed to flat growth in metro markets (35% sales salience). Metro markets contributed 2.4x more to the slowdown than their share in sales (refer fig 6). With 51% of the urban workforce (non-salaried) under stress, which we reckon, coupled with some shift to new-age channels by the salaried class, is keeping the urban general trade channel under stress. Rural markets outpaced urban markets and are expected to gradually improve.

Margin expected to remain range-bound in the near term

Britannia is expected to take a 4-5% price hike in 2HFY25F, in a calibrated manner, on account of high inflation in flour (+7%), sugar (+9%), palm oil (+3%; procured at a lower-than-market price by 12%) and cocoa among others. Management's guidance pointed towards the margin remaining range-bound from here on. We expect Britannia's EBITDA margin to remain in the range of 17%-18% in the near term, supported by price hikes.

Retain ADD rating with a lower target price of Rs5,610

Britannia's focus on driving volume growth, along with the revamped RTM 2.0 initiative, is in the right direction and should fuel growth from here on. We retain our ADD rating on it with a lower target price of Rs5,610 (52x Sep 2026F EPS) vs. Rs6,300 earlier. Downside risks: Slower-than-expected sales/volume growth and any delay in scale-up of innovations.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	163,006	167,693	179,825	196,366	216,181
Operating EBITDA (Rsm)	28,309	31,698	32,606	36,447	40,843
Net Profit (Rsm)	19,462	21,427	21,373	24,525	27,486
Core EPS (Rs)	80.8	88.9	88.7	101.8	114.1
Core EPS Growth	27.6%	10.1%	(0.3%)	14.7%	12.1%
FD Core P/E (x)	62.23	56.52	56.67	49.38	44.06
DPS (Rs)	72.0	72.0	80.1	91.6	102.9
Dividend Yield	1.12%	1.43%	1.59%	1.82%	2.05%
EV/EBITDA (x)	43.14	38.18	37.19	33.20	29.56
P/FCFE (x)	124.42	61.24	57.43	41.82	36.95
Net Gearing	27.5%	(2.6%)	2.6%	(3.1%)	(9.4%)
P/BV (x)	34.27	30.73	29.18	27.56	25.96
ROE	63.9%	57.3%	52.8%	57.4%	60.7%
% Change In Core EPS Estimates			(4.29%)	(5.12%)	(6.36%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

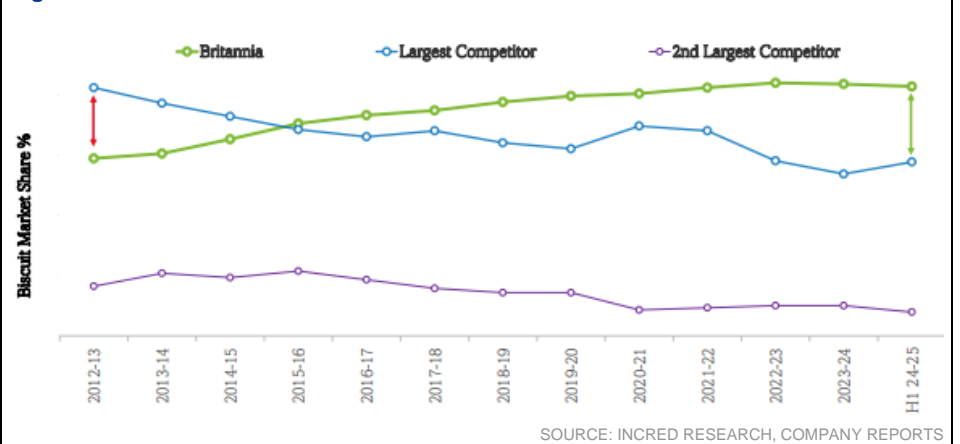
Focus remains on driving balanced growth

Figure 1: Quarterly results summary - consolidated

Rs m	2QFY24	1QFY25	2QFY25	YoY (%)	QoQ (%)	1HFY24	1HFY25	Gr (%)
Revenue	44,329	42,503	46,676	5.3	9.8	84,436	89,179	5.6
Expenditure	35,605	34,966	38,842	9.1	11.1	68,823	73,808	7.2
Consumption of raw materials	25,318	24,054	27,295	7.8	13.5	48,604	51,349	5.6
as % of sales	57.1	56.6	58.5			57.6	57.6	
Employee costs	1,599	2,020	2,323	45.3	15.0	3,482	4,342	24.7
as % of sales	3.6	4.8	5.0			4.1	4.9	
Other expenditure	8,688	8,893	9,224	6.2	3.7	16,736	18,117	8.3
as % of sales	19.6	20.9	19.8			19.8	20.3	
EBITDA	8,724	7,537	7,834	-10.2	3.9	15,613	15,371	-1.6
Depreciation	717	739	761	6.1	2.9	1,424	1,500	5.3
EBIT	8,007	6,797	7,073	-11.7	4.1	14,189	13,871	-2.2
Other income	524	556	460	-12.1	-17.3	1,063	1,016	-4.4
Interest	534	290	346	-35.2	19.7	1,065	636	-40.3
PBT	7,997	7,064	7,187	-10.1	1.7	14,187	14,251	0.5
Total tax	2,121	1,762	1,836	-13.4	4.2	3,787	3,598	-5.0
PAT	5,875	5,302	5,351	-8.9	0.9	10,400	10,653	2.4
Profit from associates /minority interest	0	-1	35	NA	NA	-51	34	NA
APAT	5,876	5,303	5,316	-9.5	0.2	10,451	10,619	1.6
Extraordinary items	0	246	2	NA	NA	0	248	NA
Reported PAT	5,876	5,056	5,314	-9.5	5.1	10,451	10,371	-0.8
Adj. EPS	24.4	22.0	22.1	-9.5	0.2	43.4	44.1	1.6
Margins (%)				(bp)	(bp)			(bp)
Gross margin	42.9	43.4	41.5	-136	-188	42.4	42.4	-2
EBITDA	19.7	17.7	16.8	-290	-95	18.5	17.2	-126
EBIT	18.1	16.0	15.2	-291	-84	16.8	15.6	-125
EBT	18.0	16.6	15.4	-264	-122	16.8	16.0	-82
PAT	13.3	12.5	11.5	-179	-101	12.3	11.9	-37
Effective tax rate	26.5	24.9	25.5	-98	60	26.7	25.2	-144

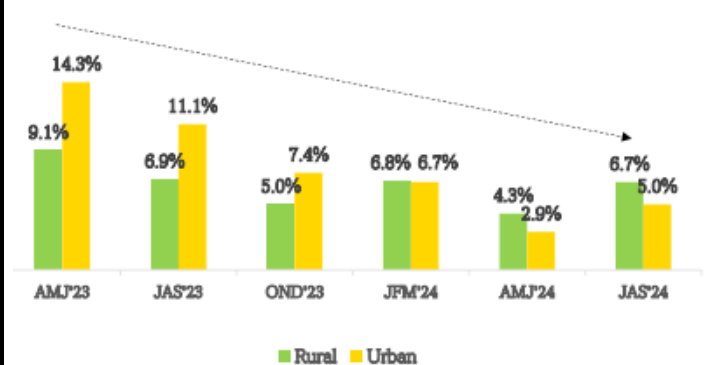
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Market share remained flattish in 1HFY25



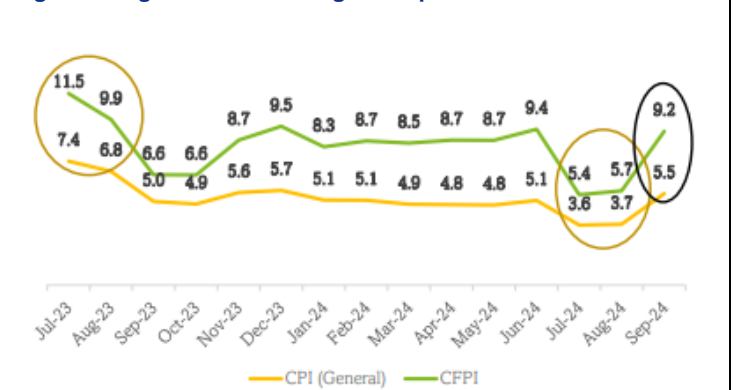
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Rural market growth continues to outpace that of urban market



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: High inflation leading to a tepid demand scenario



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: FMCG sector's slowdown driven by slowdown in urban markets...

Figure 6: ...which, in turn, is led by slowdown in metro markets

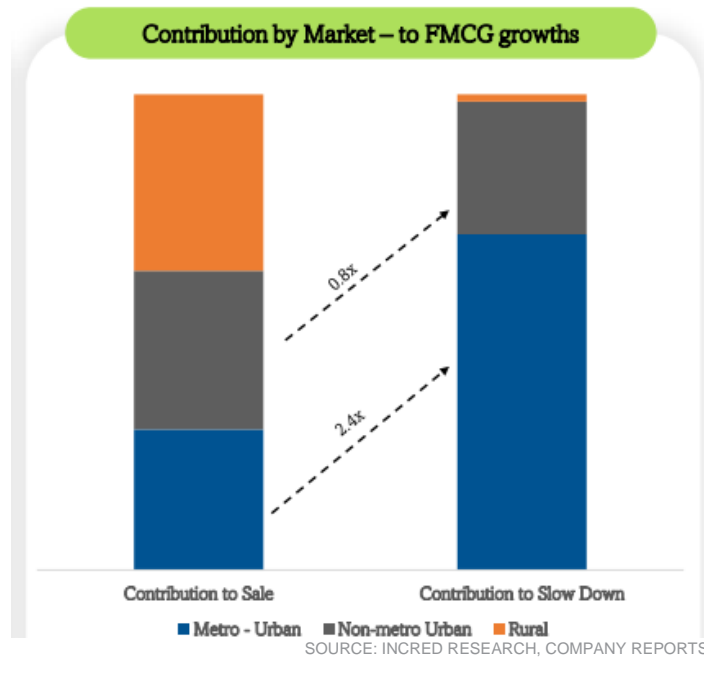
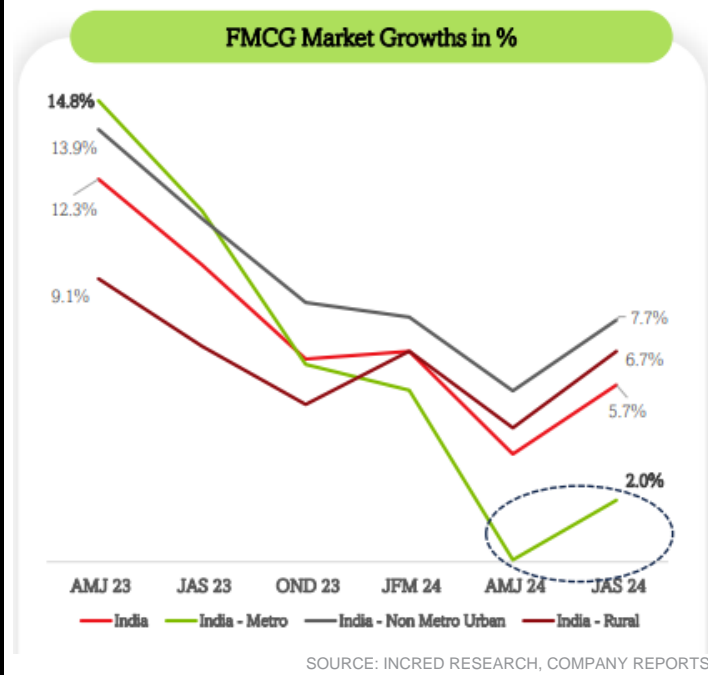


Figure 7: Housing costs account for 22% of the urban CPI basket

Figure 8: Non-salaried workforce under stress

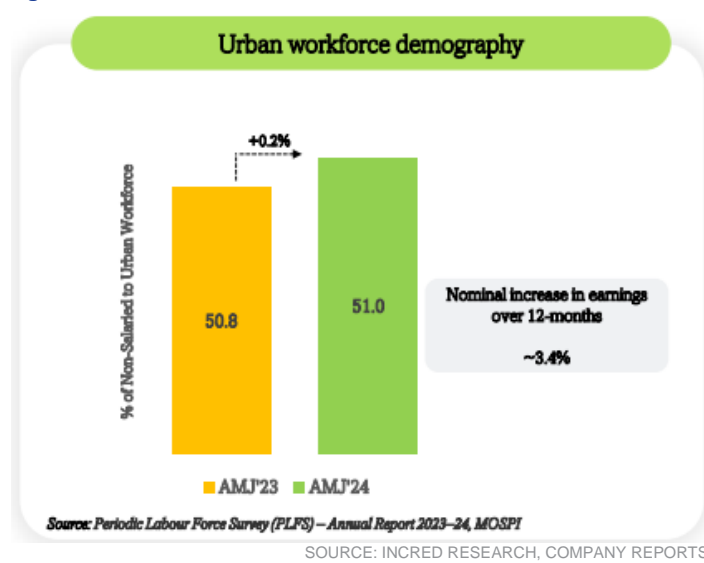
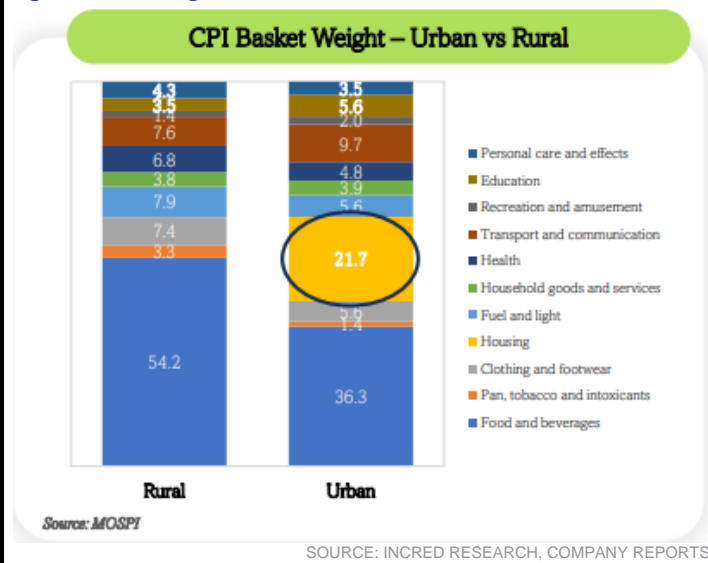
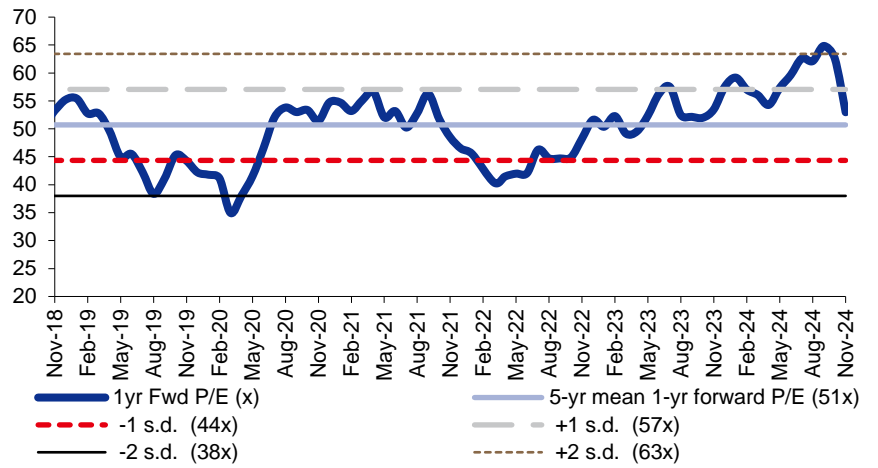


Figure 9: Our revised earnings estimates

Rs m	FY25F			FY26F			FY27F		
	Previous	Revised	% Change	Previous	Revised	% Change	Previous	Revised	% Change
Revenue	1,82,315	1,79,825	(1.4)	1,99,709	1,96,366	(1.7)	2,21,110	2,16,181	(2.2)
EBITDA	33,809	32,606	(3.6)	38,143	36,447	(4.4)	43,270	40,843	(5.6)
EBITDA Margin (%)	18.5	18.1	-41bp	19.1	18.6	-54bp	19.6	18.9	-68bp
Net Profit	22,331	21,373	(4.3)	25,849	24,525	(5.1)	29,352	27,486	(6.3)
EPS	92.7	88.7	(4.3)	107.3	101.8	(5.1)	121.8	114.1	(6.3)

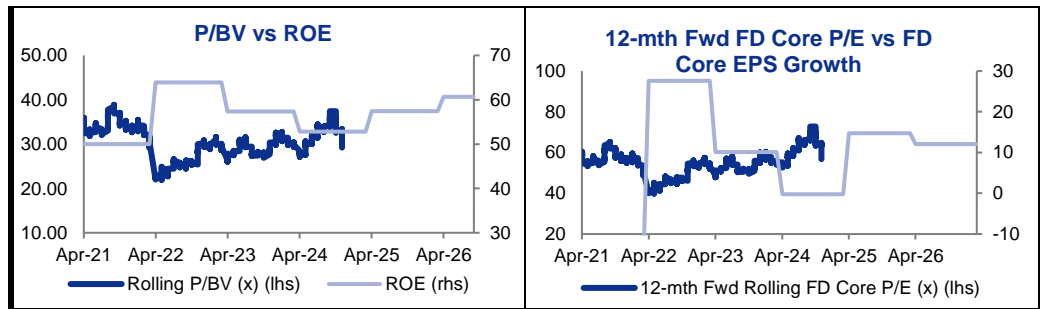
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: Britannia Industries' one-year forward P/E trades close to its 5-year average



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	163,006	167,693	179,825	196,366	216,181
Gross Profit	67,093	72,772	77,253	84,803	93,609
Operating EBITDA	28,309	31,698	32,606	36,447	40,843
Depreciation And Amortisation	(2,259)	(3,005)	(3,727)	(4,173)	(4,731)
Operating EBIT	26,050	28,694	28,878	32,275	36,112
Financial Income/(Expense)	2	227	189	1,085	1,281
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	465	275	23	23	23
Profit Before Tax (pre-EI)	26,518	29,196	29,091	33,383	37,416
Exceptional Items					
Pre-tax Profit	26,518	29,196	29,091	33,383	37,416
Taxation	(7,165)	(7,793)	(7,742)	(8,882)	(9,954)
Exceptional Income - post-tax					
Profit After Tax	19,353	21,403	21,349	24,501	27,462
Minority Interests	109	24	24	24	24
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	19,462	21,427	21,373	24,525	27,486
Recurring Net Profit	19,462	21,427	21,373	24,525	27,486
Fully Diluted Recurring Net Profit	19,462	21,427	21,373	24,525	27,486

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	28,309	31,698	32,606	36,447	40,843
Cash Flow from Invt. & Assoc.	109	24	24	24	24
Change In Working Capital	5,569	4,135	(4,811)	(1,035)	(1,244)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2,159	2,142	2,462	3,358	3,554
Other Operating Cashflow					
Net Interest (Paid)/Received	(1,691)	(1,640)	(2,250)	(2,250)	(2,250)
Tax Paid	(7,165)	(7,793)	(7,742)	(8,882)	(9,954)
Cashflow From Operations	27,290	28,567	20,290	27,663	30,973
Capex	(6,820)	(5,104)	(3,200)	(3,200)	(3,200)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(15,886)	5,707			
Other Investing Cashflow					
Cash Flow From Investing	(22,706)	603	(3,200)	(3,200)	(3,200)
Debt Raised/(repaid)	5,150	(9,393)	4,000	4,500	5,000
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(13,592)	(17,325)	(19,288)	(22,072)	(24,785)
Preferred Dividends					
Other Financing Cashflow	3,875	48	76	76	76
Cash Flow From Financing	(4,568)	(26,669)	(15,212)	(17,496)	(19,709)
Total Cash Generated	16	2,500	1,878	6,967	8,064
Free Cashflow To Equity	9,734	19,777	21,090	28,963	32,773
Free Cashflow To Firm	6,276	30,810	19,340	26,713	30,023

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	19,990	21,429	23,307	30,273	38,337
Total Debtors	3,289	3,933	4,031	4,408	4,854
Inventories	11,933	11,812	12,137	13,256	14,594
Total Other Current Assets	14,908	12,834	13,875	14,674	15,645
Total Current Assets	50,120	50,008	53,349	62,611	73,431
Fixed Assets	25,914	28,014	27,487	26,514	24,983
Total Investments	15,639	10,977	10,977	10,977	10,977
Intangible Assets	1,282	1,298	1,298	1,298	1,298
Total Other Non-Current Assets	554	418	418	418	418
Total Non-current Assets	43,389	40,707	40,180	39,207	37,676
Short-term Debt	14,287	11,365	13,865	16,365	18,865
Current Portion of Long-Term Debt					
Total Creditors	14,488	16,275	14,198	15,442	16,936
Other Current Liabilities					
Total Current Liabilities	28,775	27,640	28,063	31,806	35,800
Total Long-term Debt	15,518	9,047	10,547	12,547	15,047
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	15,518	9,047	10,547	12,547	15,047
Total Provisions	5,390	5,898	5,679	5,696	5,714
Total Liabilities	49,684	42,585	44,289	50,049	56,562
Shareholders Equity	35,343	39,415	41,501	43,953	46,654
Minority Interests	302	245	321	397	473
Total Equity	35,645	39,660	41,822	44,350	47,127

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	15.3%	2.9%	7.2%	9.2%	10.1%
Operating EBITDA Growth	28.6%	12.0%	2.9%	11.8%	12.1%
Operating EBITDA Margin	17.4%	18.9%	18.1%	18.6%	18.9%
Net Cash Per Share (Rs)	(40.74)	4.22	(4.59)	5.65	18.37
BVPS (Rs)	146.71	163.62	172.27	182.45	193.66
Gross Interest Cover	15.41	17.50	12.83	14.34	16.05
Effective Tax Rate	27.0%	26.7%	26.6%	26.6%	26.6%
Net Dividend Payout Ratio	69.8%	80.9%	90.2%	90.0%	90.2%
Accounts Receivables Days	7.40	7.86	8.08	7.84	7.82
Inventory Days	48.73	45.65	42.61	41.54	41.47
Accounts Payables Days	52.02	59.15	54.22	48.49	48.21
ROIC (%)	60.0%	68.3%	64.1%	71.5%	80.5%
ROCE (%)	48.5%	49.0%	49.7%	51.1%	51.5%
Return On Average Assets	22.9%	23.0%	23.0%	24.0%	24.6%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Recommendation Framework	
Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.