

India

ADD (no change)

Consensus ratings*: Buy 21 Hold 10 Sell 7

Current price:	Rs4,871
Target price:	Rs5,610
Previous target:	Rs5,610
Up/downside:	15.2%
InCred Research / Consensus:	4.5%
Reuters:	
Bloomberg:	BRIT IN
Market cap:	US\$16,156m
	Rs1,173,149m
Average daily turnover:	US\$28.0m
	Rs2035.1m
Current shares o/s:	240.7m
Free float:	49.5%

*Source: Bloomberg



Price performance	1M	3M	12M
Absolute (%)	(1.1)	(15.3)	(2.0)
Relative (%)	(1.7)	(13.5)	(9.9)

Major shareholders	% held
Promoter	50.6
LIC	6.4
SBI	2.3

Britannia Industries Ltd

Focus remains on driving balanced growth

- Britannia Industries posted 6.2%/6% standalone value/volume growth, respectively, in 3Q. Rural markets continued to outpace urban markets.
- Sluggish urban demand, coupled with inflation, is expected to keep margin rangebound in the near term. c.4-4.5% price hike expected in 4QFY25F.
- Focus on driving balanced growth & the new RTM 2.0 are steps in the right direction. Retain ADD rating with a TP of Rs5,610 (52x Sep 2026F EPS).

Healthy volume growth despite price hikes

Britannia Industries (Britannia) posted consol./standalone sales growth of 7.9%/6.2% yoy, respectively, in 3QFY25. Volume growth stood at 6%. Focus markets (15% salience to domestic sales/35% contribution to rural sales) grew 2.6x higher than the rest of India. Britannia's market share remained flat in 9MFY25 while the largest competitor saw sequential improvement (refer Fig. 3). The company's new route-to-market initiative (RTM 2.0) is currently being piloted in 25 cities, across more than 50,000 outlets. 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. Adjacent categories are performing well on e-commerce channels. Products like croissants, cakes and dairy items combined have a salience of 37% on e-commerce channels compared to 3-4% from biscuits.

Scale up of RTM2.0 and innovation pipeline to support growth

Britannia's management indicated a challenging environment in urban markets, which it attributed to continued weakness in metro cities (35% sales salience). The company had commenced its route to market 2.0 initiative last quarter, which has seen positive results in markets where it has been rolled out. This will be extended to more regions in 4QFY25F. Britannia is focusing on scaling up its adjacency portfolio with refreshed packaging and new launches to accelerate growth in non-biscuits portfolio.

Margins expected to remain rangebound in the medium term

Britannia is targeting a 6-6.5% price hike by the end of the year (c.2% taken so far in 9MFY25), in a calibrated manner, on account of high inflation in flour (+4% yoy), sugar (flat yoy), palm oil (+43%) and cocoa (+103%) among others. Additional 1.5%-2% hikes may be taken in 1QFY26F. Management's guidance pointed towards the margin remaining rangebound from here on. We expect Britannia's EBITDA margin to remain in the range of 17%-18% in the medium term.

Retain ADD rating with a target price of Rs5,610

Britannia's focus on driving volume growth, along with the revamped RTM 2.0 initiative, are steps in the right direction and should, in our view, fuel growth from here on. We retain our ADD rating on the stock with an unchanged target price of Rs5,610 (52x Sep 2026F EPS). Downside risks: Slower-than-expected sales/volume growth.

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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)	60.29	54.76	54.90	47.84	42.69
DPS (Rs)	72.0	72.0	80.1	91.6	102.9
Dividend Yield	1.16%	1.48%	1.64%	1.88%	2.11%
EV/EBITDA (x)	41.80	36.99	36.03	32.17	28.63
P/FCFE (x)	120.53	59.33	55.63	40.51	35.80
Net Gearing	27.5%	(2.6%)	2.6%	(3.1%)	(9.4%)
P/BV (x)	33.20	29.77	28.27	26.69	25.15
ROE	63.9%	57.3%	52.8%	57.4%	60.7%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

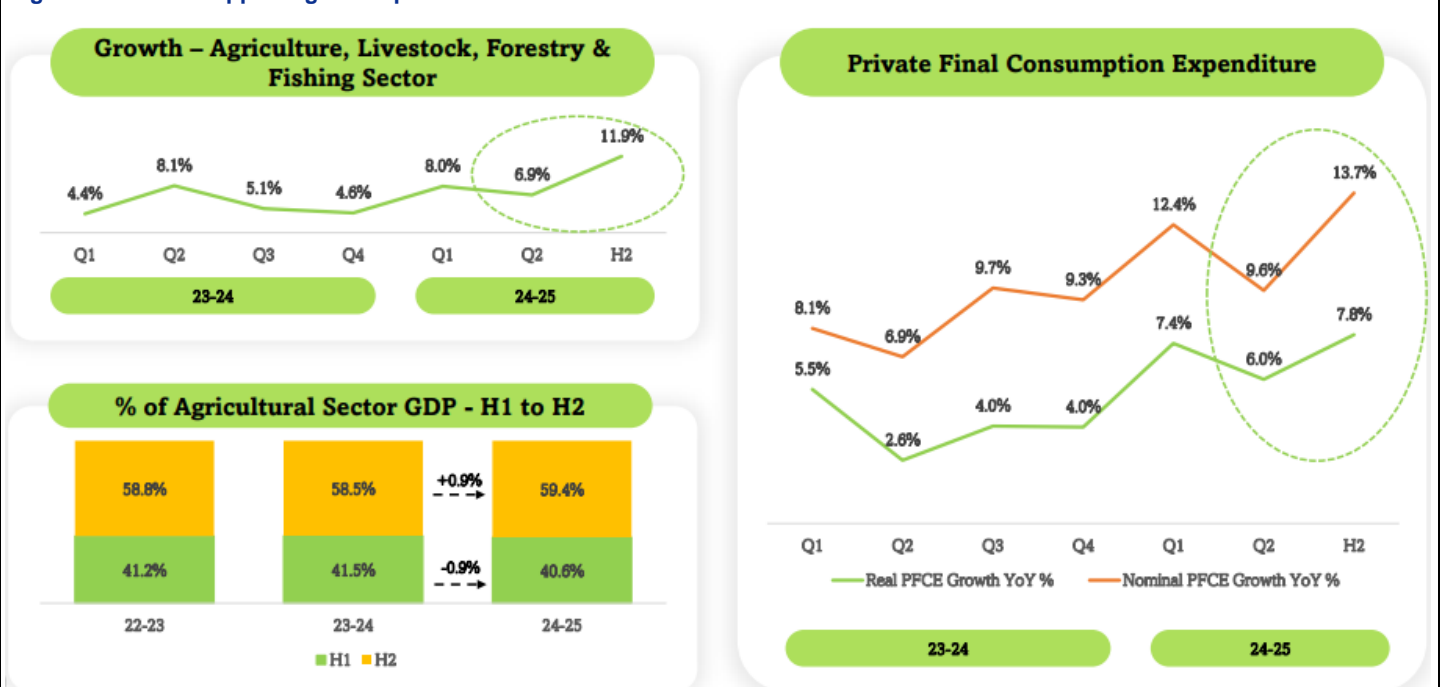
Focus remains on driving balanced growth

Figure 1: Quarterly results summary – consolidated

Rs m	3QFY24	2QFY25	3QFY25	YoY (%)	QoQ (%)	9MFY24	9MFY25	Gr (%)
Revenue	42,563	46,676	45,926	7.9	-1.6	1,26,999	1,35,105	6.4
Expenditure	34,352	38,842	37,477	9.1	-3.5	1,03,175	1,11,285	7.9
Consumption of Raw Materials	23,891	27,295	28,143	17.8	3.1	72,495	79,491	9.7
as % of sales	56.1	58.5	61.3			57.1	58.8	
Employee Costs	1,985	2,323	1,059	-46.7	-54.4	5,467	5,401	-1.2
as % of sales	4.7	5.0	2.3			4.3	4.0	
Other Expenditure	8,477	9,224	8,276	-2.4	-10.3	25,213	26,393	4.7
as % of sales	19.9	19.8	18.0			19.9	19.5	
EBITDA	8,211	7,834	8,449	2.9	7.9	23,824	23,820	0.0
Depreciation	781	761	824	5.5	8.3	2,205	2,324	5.4
EBIT	7,430	7,073	7,625	2.6	7.8	21,619	21,496	-0.6
Other Income	506	460	625	23.5	35.8	1,568	1,641	4.6
Interest	311	346	446	43.3	28.6	1,376	1,082	-21.4
PBT	7,625	7,187	7,804	2.4	8.6	21,811	22,055	1.1
Total Tax	2,026	1,836	1,961	-3.2	6.8	5,812	5,559	-4.4
PAT	5,599	5,351	5,843	4.4	9.2	15,999	16,496	3.1
Profit from Associate Cos/Minority Interest	6	35	27	NA	NA	-45	60	NA
APAT	5,593	5,316	5,817	4.0	9.4	16,044	16,436	2.4
Extraordinary Items	29	2	0	-100.0	NA	29	248	NA
Reported PAT	5,564	5,314	5,817	4.5	9.5	16,015	16,188	1.1
Adj. EPS	23.2	22.1	24.1	4.0	9.4	66.6	68.2	2.4
Margins (%)				(bp)	(bp)			(bp)
Gross Margin	43.9	41.5	38.7	-515	-280	42.9	41.2	-175
EBITDA	19.3	16.8	18.4	-89	161	18.8	17.6	-113
EBIT	17.5	15.2	16.6	-85	145	17.0	15.9	-111
EBT	17.9	15.4	17.0	-92	160	17.2	16.3	-85
PAT	13.2	11.5	12.7	-43	126	12.6	12.2	-39
Effective Tax Rate	26.6	25.5	25.1	-144	-42	26.6	25.2	-144

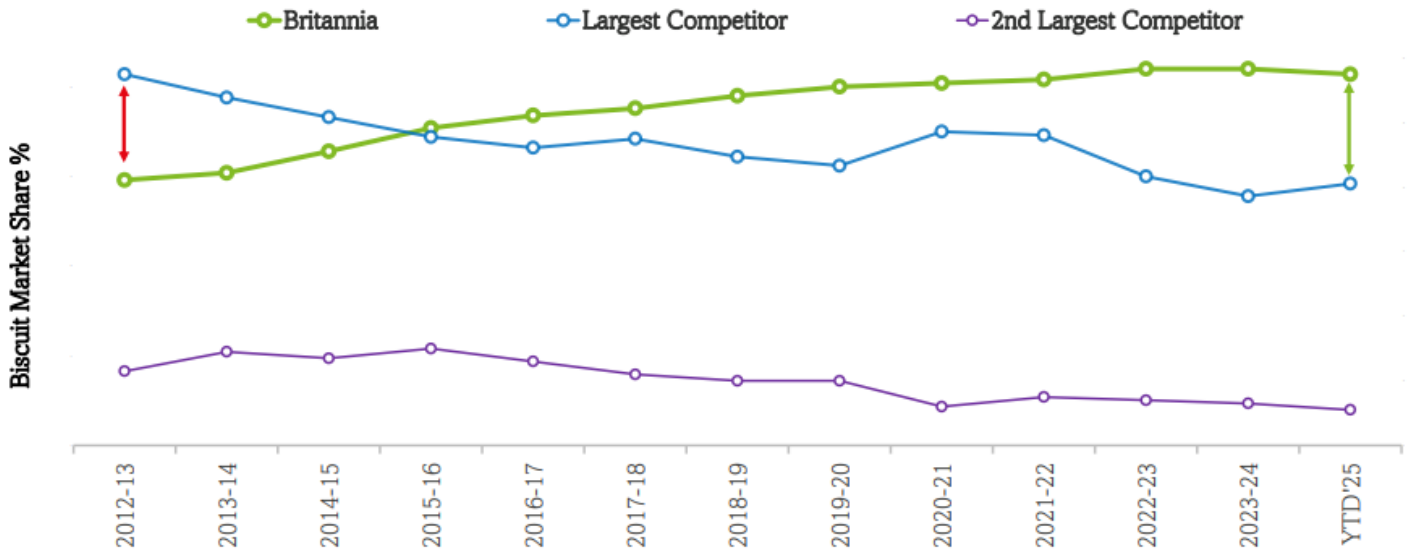
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Factors supporting better performance in rural markets



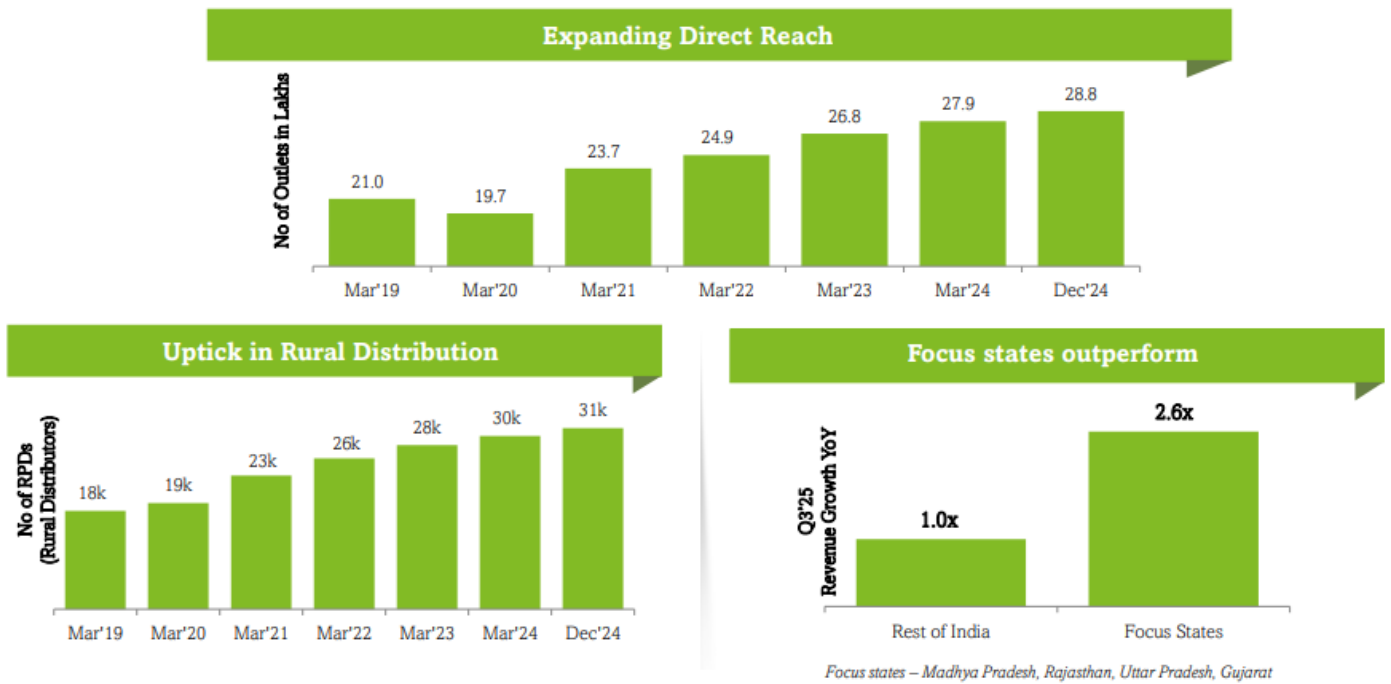
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Britannia's market share remained flattish while its largest competitor gained sequential market share



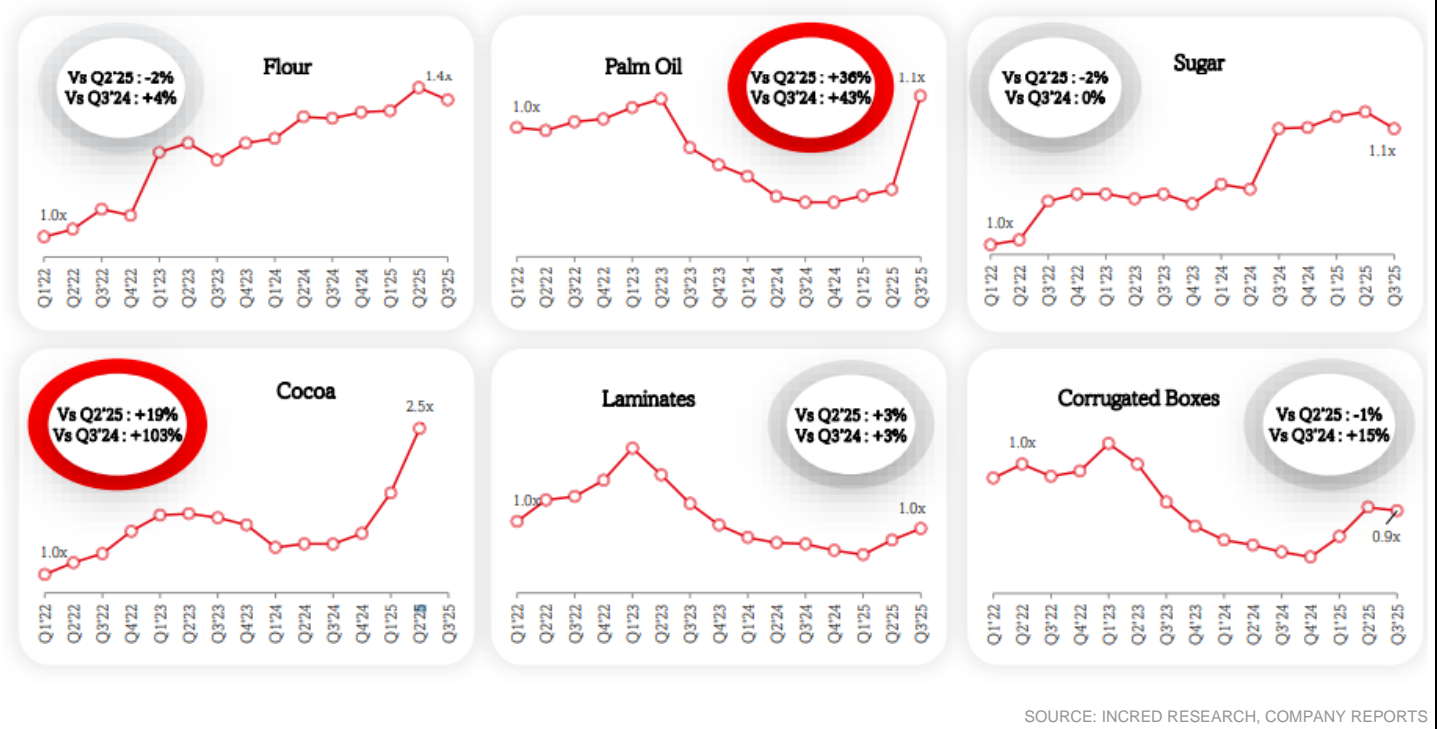
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Distribution expansion continues in rural markets



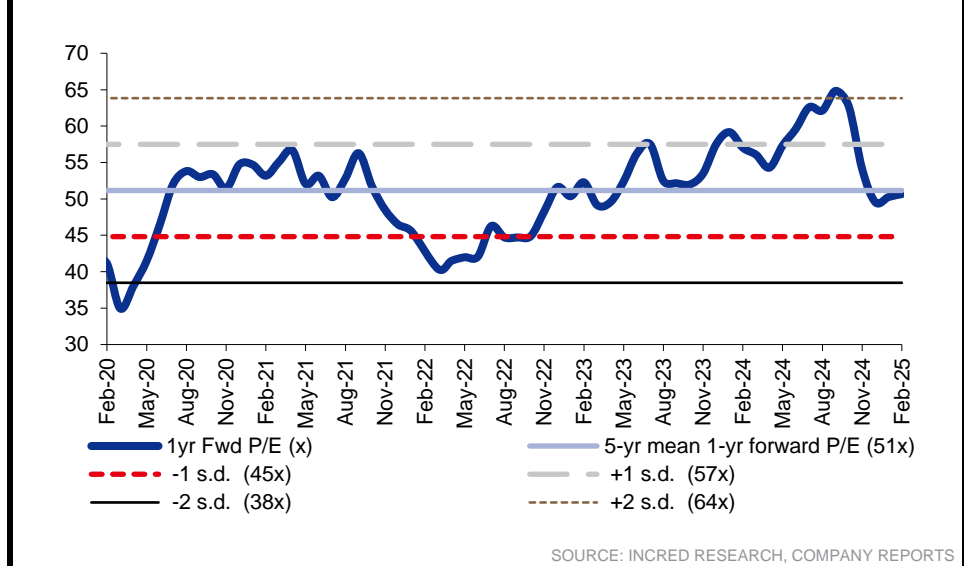
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Palm oil and cocoa prices saw a sharp uptick



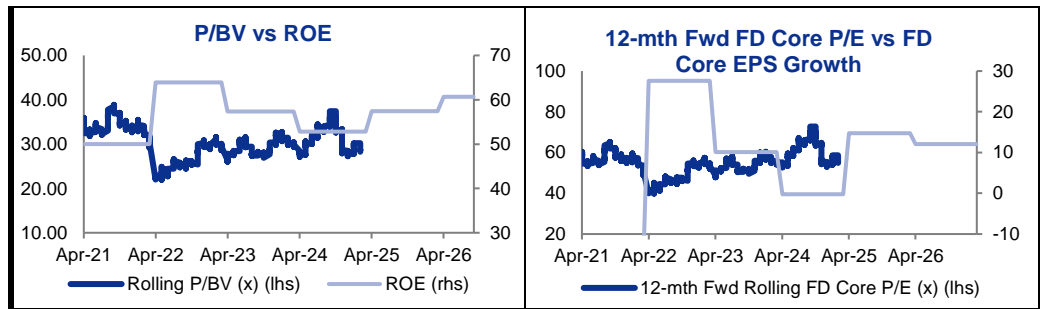
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Britannia's one-year forward P/E trades close to its five-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%

Key Drivers					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue growth %	14.6%	3.5%	7.3%	9.2%	10.2%
EBIDTA margin %	17.4%	18.9%	18.1%	18.6%	18.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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CIN: U74999MH2016PTC287535

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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.

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.

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.