

India

ADD (no change)

Consensus ratings*: Buy 23 Hold 9 Sell 7

Current price:	Rs5,609
Target price:	Rs6,200 ▲
Previous target:	Rs5,610
Up/downside:	10.5%
InCred Research / Consensus:	11.9%
Reuters:	BRIT.NS
Bloomberg:	BRIT IN
Market cap:	US\$15,823m Rs1,350,910m
Average daily turnover:	US\$26.7m Rs2277.9m
Current shares o/s:	240.7m
Free float:	49.5%

*Source: Bloomberg

Key changes in this note

- Raise the target price to Rs6,200 from Rs5,610.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	4.8	14.0	10.7
Relative (%)	(4.4)	5.3	(2.3)

Major shareholders	% held
Promoter	50.6
LIC	7.3
Vanguard Group	2.0

Britannia Industries Ltd**Steady delivery despite headwinds**

- Britannia Industries posted 9.2%/4% standalone value/volume growth, respectively, in 4QFY25. Rural markets continued to outpace urban markets.
- Sluggish urban demand, coupled with inflation, is expected to keep margins rangebound in the medium term. Improvement is expected from 2HFY26F.
- Focus on driving balanced growth & the new RTM 2.0 are steps in the right direction. Maintain ADD rating with a higher TP of Rs6,200 (54x FY27F EPS).

Decent delivery on volume growth despite sharp price hikes

Britannia Industries (Britannia) posted consol./standalone sales growth of 8.9%/9.2% yoy, respectively, in 4QFY25. Volume growth stood at c.3-4%. The e-commerce channel (c.4% of sales) grew 7.4x faster than other channels. Britannia's market share remained flat in FY25, as per management. Adjacent categories are performing well led by product relaunches, with categories like rusks delivering high single-digit value growth (which management aims to drive to double-digit growth going ahead). Croissants and wafers grew 3x faster than the biscuits portfolio in FY25, led by expansion across channels.

Thrust on distribution expansion and RTM to support growth

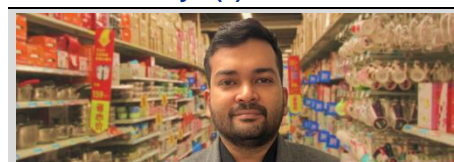
Britannia continued to expand its distribution reach, adding 80k distribution touchpoints to an overall direct reach of 2.87m dealers in FY25. Rural distribution reach expanded to 31k dealers in FY25. In terms of innovations, Britannia relaunched products like cheese, cakes, etc and launched beverages under the Winking Cow brand priced at Rs20/pack. New Route To Market (RTM) initiatives are expected to aid in improving the depth of service in urban markets (improving throughput per store) focusing on high potential outlets and the width of coverage in rural markets, with a focus on driving numeric reach and assortment.

Margin expected to remain range-bound in the medium term

During the quarter/year, Britannia posted 479bp/250bp yoy contraction in gross margin to 40.1%/40.9%, respectively, largely led by high raw material inflation. Prices of flour were up 12% yoy (expected to remain elevated, as per management), palm oil up 54% yoy, cocoa up 83% yoy, and milk up 21% yoy. Sugar prices were flat yoy. We expect the high single-digit sales growth momentum to sustain in FY26F led by benefits from price hikes and gradually improving volume growth. Softening prices of palm oil, sugar and laminates should aid in a sequential improvement in gross margins. Cost-saving initiatives should further aid EBITDA growth, with margins expected to improve in 2HFY26F.

Maintain ADD rating with a higher target price of Rs6,200

Britannia's focus on driving balanced growth, along with the revamped RTM 2.0 initiative, are steps in the right direction and should, in our view, support growth from here on. We maintain our ADD rating on the stock with a higher target price of Rs6,200 or 54x FY27F EPS (Rs5,610 earlier). Downside risks: Slower-than-expected sales/volume growth.

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Financial Summary

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	163,006	167,693	179,427	195,290	214,843
Operating EBITDA (Rsm)	28,309	31,698	31,872	36,023	39,758
Net Profit (Rsm)	19,462	21,427	22,036	25,269	27,618
Core EPS (Rs)	80.8	88.9	91.5	104.9	114.6
Core EPS Growth	27.6%	10.1%	2.8%	14.7%	9.3%
FD Core P/E (x)	69.42	63.06	61.31	53.47	48.92
DPS (Rs)	72.0	72.0	72.0	92.8	101.9
Dividend Yield	1.01%	1.28%	1.31%	1.66%	1.82%
EV/EBITDA (x)	48.08	42.60	42.34	37.50	34.02
P/FCFE (x)	138.80	68.32	81.87	53.53	48.26
Net Gearing	27.5%	(2.6%)	(4.5%)	(1.2%)	1.6%
P/BV (x)	38.23	34.28	31.02	29.08	27.28
ROE	63.9%	57.3%	53.1%	56.1%	57.5%
% Change In Core EPS Estimates				3.03%	0.48%
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Steady delivery despite headwinds

Highlights from the 4QFY25 earnings call

Demand and operating environment

- **Distribution:**
 - Direct reach grew to 2.87m outlets in FY25 (from 2.79m outlets in FY24).
 - Rural distribution expanded to 31k in FY25 from 30k in FY24.
 - E-commerce channels grew by 7.4x, higher than the other channels. E-commerce first launches (like Pure Magic Harry Potter Theme Packs) aided growth.
 - **RTM 2.0:** Will give Britannia the ability to increase the depth in high-potential outlets. At the rural level, the focus is on improving width. The focus is to increase volume per outlet.

Adjacency business

- **Cakes:** Relaunched the portfolio with better product and packaging.
- **Rusks:** High single-digit value growth led by healthy volume growth. Relaunched with new packaging last month, targeting double-digit growth going ahead.
- **Croissants & wafers:** Grew 3x over the biscuits portfolio in FY25, led by channel expansion.
- **International business:** Continued to be on a profitable growth path across the Middle East, Africa & the rest of international markets.
- The non-biscuits category grew 1.5x faster than the biscuits category.

Dairy (Bel SA partnership)

- **Cheese:** New launches are doing well, as per early indications.
- **Drinks:** Posted healthy double-digit growth across channels.

Input costs and margins

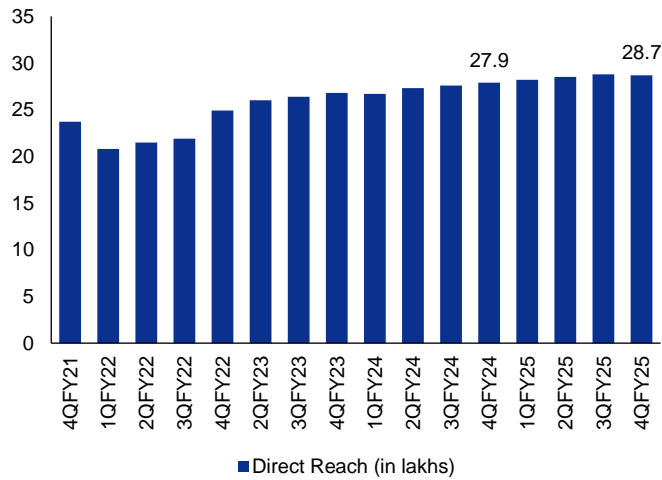
- **Raw material cost trend:** Flour costs up 12% yoy (not expected to be deflationary; MSP is 7% higher), palm oil up 54% yoy, sugar down 1% yoy, cocoa up 83% yoy, laminations up 3%, and milk up 21%.
- **Pricing actions:** Price hikes were carried out during the quarter. No major price hikes are expected unless raw material costs continue to trend upwards.
- **Cost-saving initiatives:** Saved 2.5% of sales via cost-saving initiatives in FY25.
- Management is comfortable with the current EBITDA margin zone.

Figure 1: Quarterly results summary

Rs m	4QFY24	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25	Gr (%)
Revenue	40,694	45,926	44,322	8.9	-3.5	1,67,693	1,79,427	7.0
Expenditure	32,819	37,477	36,270	10.5	-3.2	1,35,994	1,47,555	8.5
Consumption of Raw Materials	22,425	28,143	26,549	18.4	-5.7	94,920	1,06,041	11.7
as % of Sales	55.1	61.3	59.9			56.6	59.1	
Employee Costs	1,620	1,059	1,645	1.5	55.4	7,087	7,046	-0.6
as % of Sales	4.0	2.3	3.7			4.2	3.9	
Other Expenditure	8,774	8,276	8,076	-8.0	-2.4	33,987	34,469	1.4
as % of Sales	21.6	18.0	18.2			20.3	19.2	
EBITDA	7,874	8,449	8,052	2.3	-4.7	31,698	31,872	0.5
Depreciation	799	824	810	1.3	-1.7	3,005	3,133	4.3
EBIT	7,075	7,625	7,242	2.4	-5.0	28,694	28,738	0.2
Other Income	573	625	630	9.9	0.9	2,142	2,271	6.0
Interest	264	446	307	15.9	-31.2	1,640	1,388	-15.4
PBT	7,384	7,804	7,566	2.5	-3.1	29,196	29,621	1.5
Total Tax	1,980	1,961	1,928	-2.6	-1.7	7,793	7,487	-3.9
PAT	5,404	5,843	5,638	4.3	-3.5	21,403	22,134	3.4
Profit from Associates / Minority Interest	21	27	38	NA	NA	-24	99	NA
APAT	5,383	5,817	5,600	4.0	-3.7	21,427	22,035	2.8
Extraordinary Items	0	0	0	NA	NA	29	248	NA
Reported PAT	5,383	5,817	5,600	4.0	-3.7	21,398	21,787	1.8
Adj. EPS	22.3	24.1	23.2	4.0	-3.7	88.9	91.5	2.8
Margins (%)								
				(bp)	(bp)			(bp)
Gross margin	44.9	38.7	40.1	-479	138	43.4	40.9	-250
EBITDA	19.4	18.4	18.2	-118	-23	18.9	17.8	-114
EBIT	17.4	16.6	16.3	-105	-26	17.1	16.0	-109
EBT	18.1	17.0	17.1	-108	8	17.4	16.5	-90
PAT	13.3	12.7	12.7	-56	0	12.8	12.3	-43
Effective Tax Rate	26.8	25.1	25.5	-133	36	26.7	25.3	-141

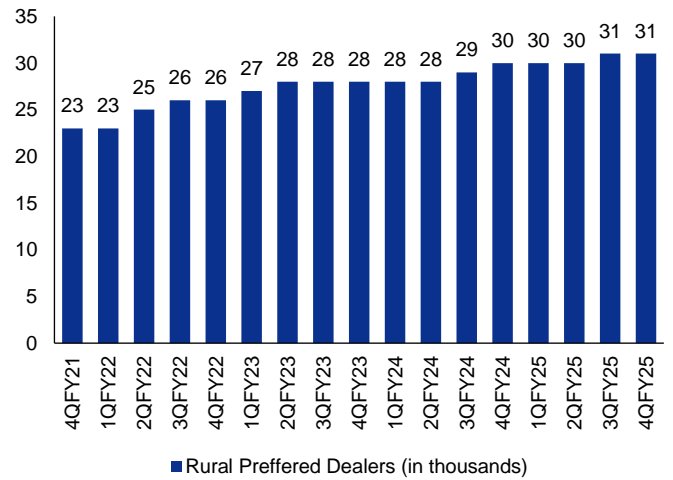
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Direct reach expanded to 2.87m outlets in FY25



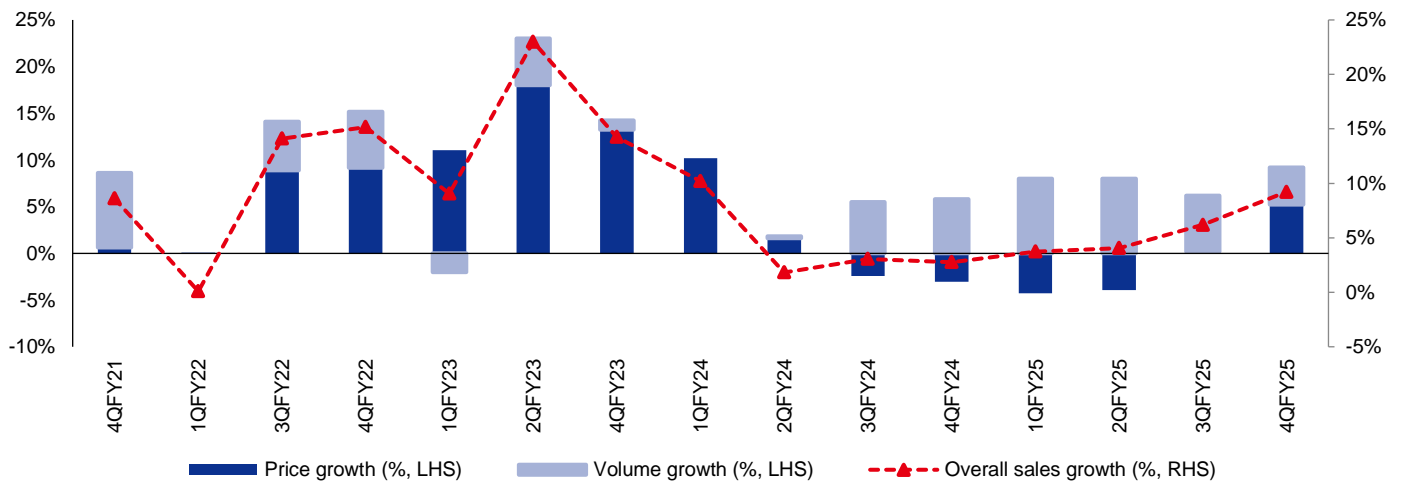
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Number of rural dealers improved to 31k in FY25



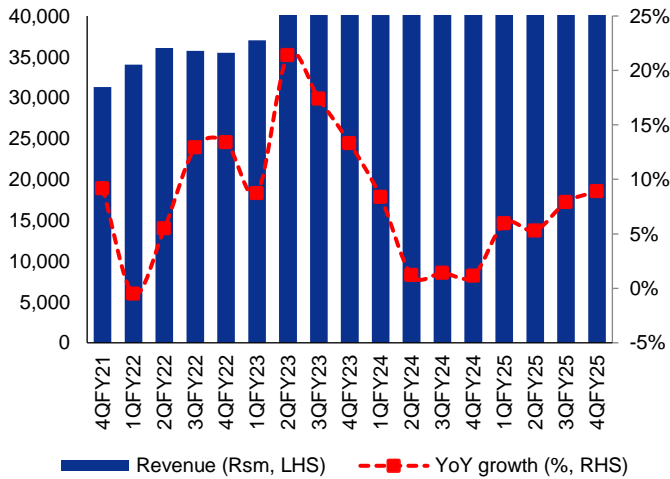
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: The gap between value/volume growth was 5.2% in 4QFY25



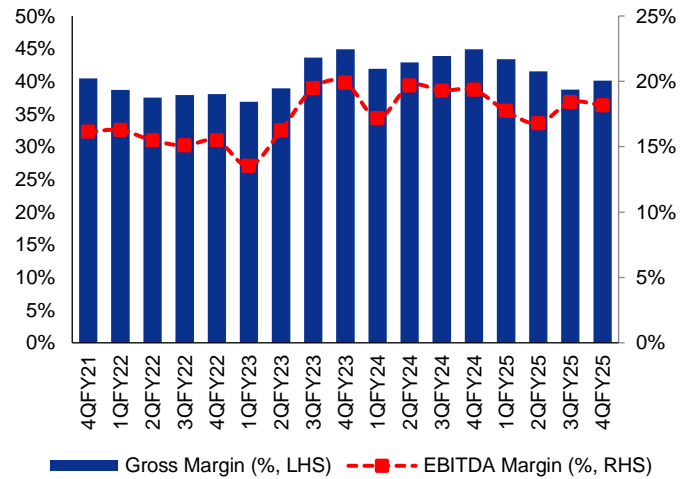
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Consolidated revenue grew by 8.9% yoy in 4QFY25



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 6: Gross margin contracted by 479bp yoy to 40.1%

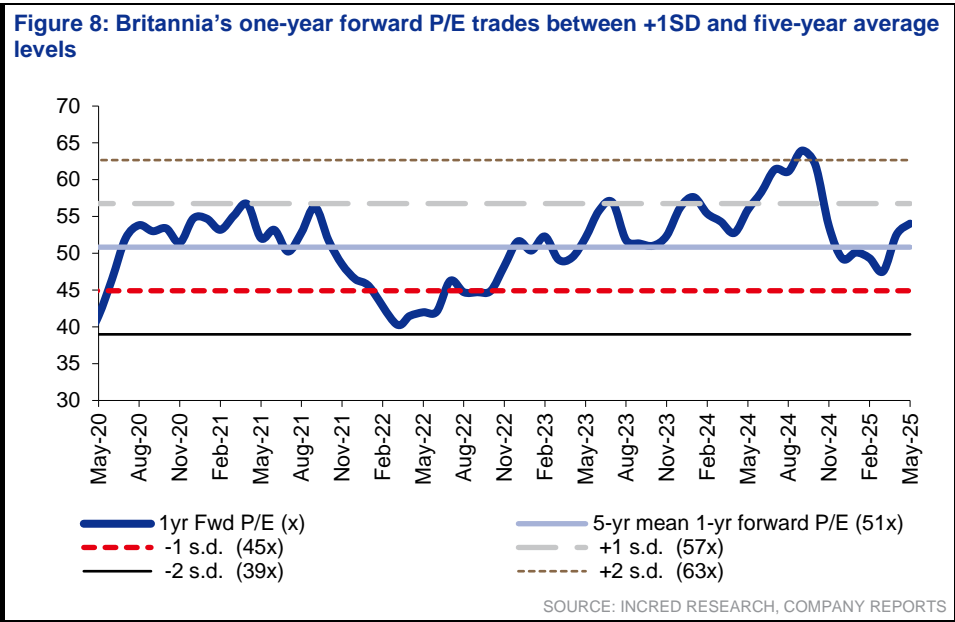


SOURCE: INCRED RESEARCH, COMPANY REPORTS

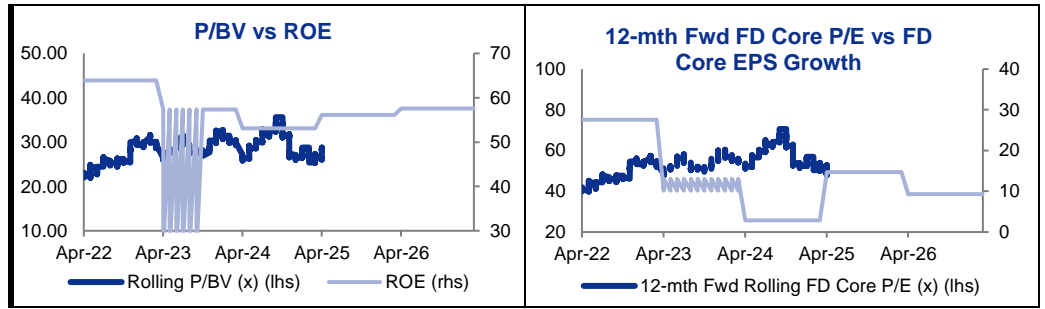
Figure 7: Our revised earnings estimates

Rs mn	FY26F			FY27F		
	Previous	Revised	% Change	Previous	Revised	% Change
Revenue	1,96,366	1,95,290	(0.5)	2,16,181	2,14,843	(0.6)
EBITDA	36,447	36,023	(1.2)	40,843	39,758	(2.7)
EBITDA Margin (%)	18.6	18.4	-11bp	18.9	18.5	-39bp
Net Profit	24,525	25,269	3.0	27,486	27,618	0.5
EPS	101.8	104.9	3.0	114.1	114.6	0.5

SOURCE: INCRED RESEARCH, COMPANY REPORTS



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Net Revenues	163,006	167,693	179,427	195,290	214,843
Gross Profit	67,093	72,772	73,386	83,348	92,153
Operating EBITDA	28,309	31,698	31,872	36,023	39,758
Depreciation And Amortisation	(2,259)	(3,005)	(3,133)	(3,533)	(4,047)
Operating EBIT	26,050	28,694	28,738	32,490	35,710
Financial Income/(Expense)	2	227	591	1,535	1,469
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)	465	275	292	(12)	(17)
Profit Before Tax (pre-EI)	26,518	29,196	29,621	34,013	37,163
Exceptional Items					
Pre-tax Profit	26,518	29,196	29,621	34,013	37,163
Taxation	(7,165)	(7,793)	(7,487)	(8,646)	(9,447)
Exceptional Income - post-tax					
Profit After Tax	19,353	21,403	22,134	25,367	27,716
Minority Interests	109	24	(98)	(98)	(98)
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	19,462	21,427	22,036	25,269	27,618
Recurring Net Profit	19,462	21,427	22,036	25,269	27,618
Fully Diluted Recurring Net Profit	19,462	21,427	22,036	25,269	27,618

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
EBITDA	28,309	31,698	31,872	36,023	39,758
Cash Flow from Invt. & Assoc.	109	24	(98)	(98)	(98)
Change In Working Capital	5,569	4,135	4,183	(4,861)	(5,471)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2,159	2,142	2,271	3,773	3,703
Other Operating Cashflow					
Net Interest (Paid)/Received	(1,691)	(1,640)	(1,388)	(2,250)	(2,250)
Tax Paid	(7,165)	(7,793)	(7,487)	(8,646)	(9,447)
Cashflow From Operations	27,290	28,567	29,352	23,941	26,194
Capex	(6,820)	(5,104)	(3,433)	(3,200)	(3,200)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(15,886)	5,707	(1,251)		
Other Investing Cashflow					
Cash Flow From Investing	(22,706)	603	(4,684)	(3,200)	(3,200)
Debt Raised/(repaid)	5,150	(9,393)	(8,164)	4,500	5,000
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(13,592)	(17,325)	(17,675)	(22,364)	(24,549)
Preferred Dividends					
Other Financing Cashflow	3,875	48	(137)	198	198
Cash Flow From Financing	(4,568)	(26,669)	(25,977)	(17,666)	(19,350)
Total Cash Generated	16	2,500	(1,309)	3,076	3,644
Free Cashflow To Equity	9,734	19,777	16,503	25,241	27,994
Free Cashflow To Firm	6,276	30,810	26,056	22,991	25,244

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	19,990	21,429	14,241	17,317	20,961
Total Debtors	3,289	3,933	4,486	4,696	5,169
Inventories	11,933	11,812	12,365	12,675	16,066
Total Other Current Assets	14,908	12,834	9,209	10,400	12,308
Total Current Assets	50,120	50,008	40,302	45,088	54,504
Fixed Assets	25,914	28,014	28,313	27,980	27,133
Total Investments	15,639	10,977	18,077	18,077	18,077
Intangible Assets	1,282	1,298	1,328	1,328	1,328
Total Other Non-Current Assets	554	418	348	348	348
Total Non-current Assets	43,389	40,707	48,066	47,733	46,886
Short-term Debt	14,287	11,365	5,118	7,618	10,118
Current Portion of Long-Term Debt					
Total Creditors	14,488	16,275	17,522	15,736	16,020
Other Current Liabilities					
Total Current Liabilities	28,775	27,640	22,641	23,355	26,138
Total Long-term Debt	15,518	9,047	7,129	9,129	11,629
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	15,518	9,047	7,129	9,129	11,629
Total Provisions	5,390	5,898	6,372	6,107	6,125
Total Liabilities	49,684	42,585	36,142	38,591	43,893
Shareholders Equity	35,343	39,415	43,557	46,462	49,531
Minority Interests	302	245	256	454	653
Total Equity	35,645	39,660	43,813	46,917	50,184

Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	15.3%	2.9%	7.0%	8.8%	10.0%
Operating EBITDA Growth	28.6%	12.0%	0.5%	13.0%	10.4%
Operating EBITDA Margin	17.4%	18.9%	17.8%	18.4%	18.5%
Net Cash Per Share (Rs)	(40.74)	4.22	8.28	2.36	(3.27)
BVPS (Rs)	146.71	163.62	180.81	192.87	205.61
Gross Interest Cover	15.41	17.50	20.70	14.44	15.87
Effective Tax Rate	27.0%	26.7%	25.3%	25.4%	25.4%
Net Dividend Payout Ratio	69.8%	80.9%	80.2%	88.5%	88.9%
Accounts Receivables Days	7.40	7.86	8.56	8.58	8.38
Inventory Days	48.73	45.65	41.61	40.82	42.75
Accounts Payables Days	52.02	59.15	58.17	54.22	47.24
ROIC (%)	60.0%	68.3%	74.6%	77.9%	77.1%
ROCE (%)	48.5%	49.0%	53.2%	60.4%	58.0%
Return On Average Assets	22.9%	23.0%	24.1%	26.3%	27.0%

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.

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.