



Britannia Consolidated Q2FY25 results were slightly below expectations on account of lower Gross Margins.

- Revenue increased by 5% YoY to Rs 46676mn with ~8% volume growth.
- EBIDTA margins stood at 16.8%** as against 19.7% on a YoY basis, however on a QoQ basis EBIDTA margins were down by 95bps.
- EBIDTA on absolute basis de-grew by 10% YoY to Rs 7834mn
- Drop in gross margins by 140bps YoY on account of inflation across commodities and rise in employee cost by 45% (including Rs 500mn of rise in ESOP cost) led to drop in EBIDTA.
- PAT (adjusted-owners share) de-grew by 10% YoY to Rs 5316mn.

Outlook:

- Demand scenario remains challenging, due inflation impacting urban metros
- Margins would be maintained in the same quartile.
- Due to rising inflation across various commodities, an additional price increase of approximately 4-5% has been necessitated.

Financial Summary

Y/E Mar (Rs mn)	FY 23	FY 24	FY 25E	FY 26E	FY 27E
Net sales	163,005	167,693	180,618	199,157	219,443
EBIDTA	28,309	31,698	31,444	35,220	39,170
Margins	17.4	18.9	17.4	17.7	17.8
PAT (adj)	19,628	21,419	21,319	24,045	27,141
growth (%)	28.7	9.1	(0.5)	12.8	12.9
EPS	81	89	88	100	113
P/E (x)	61.7	56.6	56.8	50.4	44.6
P/B (x)	34.3	30.7	28.3	24.6	20.7
EV/EBITDA (x)	42.7	38.0	38.6	34.3	30.8
RoE (%)	55.5	54.3	49.8	48.9	46.3
ROCE (%)	39.8	47.8	41.2	44.8	46.4

Source: Dalal and Broacha

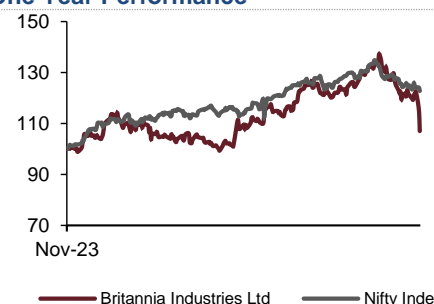
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	5,634	12

Market data

Current price	Rs	5,028
Market Cap (Rs.Bn)	(Rs Bn)	1,211
Market Cap (US\$ Mn)	(US\$ Mn)	14,350
Face Value	Rs	1
52 Weeks High/Low	Rs	6473.1 / 4626
Average Daily Volume	('000)	837
BSE Code		511196
Bloomberg		BRIT.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	50.55	50.55
Public	49.45	49.45
Others		
Total	100	100

Source: BSE

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Britannia Q1FY25 Concal KTA's	
VOLUME Growth:	8%
Rural Growth	High single-digit Growth 2x of urban
	Slowdown maximum in metro cities that contributes ~30% to FMCG business but impact is 2.4x Housing contributes ~22% of total urban consumer expenditure, real estate prices, rentals going up creating stress in metro cities
MARKET SHARE:	Remained flattish; even for H1 on YoY basis
Demand:	Demand under stress coupled with inflation
Pricing Action	To take 4-5% price increase in next 2 quarters
	Will be taken in SKUs that has not taken such price increase
INFLATION	
1.Food Commodity inflation:	
Inflation: Wheat	Flour +5% QoQ +7% YoY
Inflation: Palm Oil	+2% QoQ +3% YoY
Cocoa	+30% QoQ +70% YoY
Inflation Sugar:	+1% QoQ +9% YoY
Laminates:	+4% QoQ +1% YoY
Corrugated Boxes	+10% QoQ +13% YoY

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OTHER COSTS	
1. Employee cost:	Rs 500mn on account of additional ESOP cost based on Share Price
2. Cost Efficiency Savings	Cost Efficiency target 8x of FY14 Improving well across verticals. Probably will overachieve cost efficiency vs planned
DISTRIBUTION:	
1. Direct Reach in lakhs	28.5 in Sept-24 v/s 28.2 June-24
	Rural Distribution @ 30K v/s 30K June-24 Focus states performing better
PRODUCTS:	Launches: Launched Milk Bikis in wafer rolls format in Tamil Nadu Layer cake - Jam & Cream
RTM 2.0:	
	Leveraging Data Analytics & AI
	Pilots in the quarter covering 25 cities, 44 distributors & >50,000 outlets
	14Lac Outlets segmented into deciles & found that Top decile contributes 53% of business where higher focus is given.
ADJACENT BUSINESS	
1. Bakery	Cakes: Growth on back of innovation and new segments Rusks: Healthy volume and value growth continues Wafers: Consistent growth on the back of strong distribution
2. Dairy	Cheese: -Leveraging in-house capabilities to stay competitive and augment growth Drinks On a strong footing with healthy double-digit growth, seeing resurgence
3. International	continues to perform well on the back of healthy growths in Middle East & Africa, operating at healthy margins

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Other KTA's	RTM 2.0 objective is to provide differentiated services based on outlet's performance
	Channel Split: Good growth in Quick commerce & e-commerce, Modern trade doing reasonably well although faces high competition
	Gaining market share in above 3 categories General Trade facing slowdown, expected to improve with growth in rural demand
	3 new factories, never had large factory in north, now have one in UP, new factory in Bihar & Tirunelveli (Tamil Nadu) Expanding capacity in Ranjangaon
	2% of revenue coming from Innovation and new launches segment
Outlook:	Margins to remain at Current levels
	Price hike will lead to margin improvement but due to high inflation, it will be offsetted
	Will continue to make appropriate investments to support brands and to drive market share

Quarterly Financials

Particulars (Rs Mns)					
Consolidated	Q2FY25	Q2FY24	Growth	Q1FY25	Growth
Net Sales	45662.3	43704.7	4%	41299.2	11%
Other Op Income	1013.4	624.1	62%	1203.7	-16%
Total Op Income	46675.7	44328.8	5%	42502.9	10%
Add: O. Income	460	523.5	-12%	556.1	-17%
TOTAL INCOME	47135.7	44852.3	5%	43059	9%
RAW MATERIAL	-27294.4	-25317.6	8%	-24054.1	13%
Employee Cost	-2322.8	-1598.7	45%	-2019.5	15%
O. Exps	-9224.4	-8688.3	6%	-8892.7	4%
EBIDTA	7834.1	8724.2	-10%	7536.6	4%
				0	
Less Int	-346.4	-534.2	-35%	-289.5	20%
Less Depn	-760.7	-716.8	6%	-739.3	3%
Less Exceptional	-1.5	0		-246.4	
PBT Before					
Exceptional	7187.0	7996.7	-10%	7063.9	2%
Share pft or Loss from Associates	-34	-10.4	227%	-6.5	423%
				0	
Less Tax	-1836	-2121.3	-13%	-1762.2	4%
PAT	5315.5	5865	-9%	5048.8	5%
Owners Pat	5314.5	5875.9	-10%	5056.4	5%
Non Controlling	1	-10.9	-109%	-7.6	-113%
Adjusted Owners					
PAT	5316.0	5875.9	-10%	5240	1%
<i>Tax Rate</i>	<i>-25.5%</i>	<i>-26.5%</i>		<i>-24.9%</i>	
Raw Mat to Op Inc	-58.5%	-57.1%	-1.4%	-56.6%	-1.9%
Emp Cost to Op Inc	-5.0%	-3.6%		-4.8%	
O.Exps to Op Inc	-19.8%	-19.6%		-20.9%	
OPM	16.8%	19.7%		17.7%	
NPM	11.3%	13.1%		12.2%	

Source: Dalal & Broacha Research, Company

Valuation

Britannia Industries is currently facing a tough economic environment marked by high inflation and declining urban demand. The Consumer Price Index (CPI) has risen significantly, with food inflation at 9.2%, impacting consumer purchasing power. Housing costs account for 22% of the CPI, while 51% of the urban workforce has seen only a 3.4% increase in earnings.

Despite these challenges, Britannia achieved an 8% volume growth and a 4.5% YoY revenue increase, totaling ₹4,6677mn Q2FY25.

To address these issues, Britannia is enhancing cost efficiency and value engineering initiatives while strategically investing in brand support. The company plans to implement a 4–5% price increase on select products to maintain market leadership.

This approach positions Britannia to balance affordability and profitability effectively, ensuring continued value for both consumers and shareholders while pursuing sustainable growth.

At CMP of Rs 5028 Britannia trades at 50x FY26e EPS of Rs 100 and 45x FY27e EPS of Rs 113. We roll over to FY27 and maintain **BUY ON DIPS** with a target price of Rs 5,634 (i.e. 50x FY27E eps of Rs 113).

Financials

P&L (Rs mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Operating Income	163,005.5	167,692.7	180,617.9	199,156.6	219,443.0
Raw materials	(95,913.0)	(94,920.3)	(104,035.9)	(114,515.1)	(126,179.7)
Employee costs	(6,583.8)	(7,087.0)	(8,988.0)	(9,707.0)	(10,483.6)
Other Expenses	(32,199.6)	(33,987.0)	(36,149.8)	(39,714.4)	(43,609.3)
Cost of sales	(134,696.4)	(135,994.3)	(149,173.8)	(163,936.5)	(180,272.6)
Operating Profit	28,309.1	31,698.4	31,444.2	35,220.1	39,170.4
Depreciation	(2,259.1)	(3,004.6)	(3,234.5)	(3,503.8)	(3,773.1)
PBIT	26,050.0	28,693.8	28,209.7	31,716.3	35,397.3
Other income	2,158.6	2,141.8	1,952.8	2,029.7	2,214.4
Interest	(1,691.0)	(1,640.0)	(1,474.9)	(1,491.9)	(1,211.9)
Profit before tax	26,517.6	29,195.6	28,687.6	32,254.1	36,399.8
Extraordinary Items / Exceptional	3,756.0	-	-	-	-
Profit before tax (post Excep)	30,273.6	29,195.6	28,687.6	32,254.1	36,399.8
Provision for tax	(7,164.5)	(7,792.5)	(7,220.7)	(8,118.4)	(9,161.8)
Reported PAT	23,109.1	21,403.1	21,466.9	24,135.7	27,237.9
Share of Pft and Loss of Associates and Minority Int	108.6	24.0	(85.4)	(90.8)	(96.5)
Adjusted PAT	19,627.7	21,419.4	21,318.6	24,044.9	27,141.5

Balance Sheet	FY23	FY24	FY25E	FY26E	FY27E
Equity capital	240.9	240.9	240.9	240.9	240.9
Reserves	35,101.8	39,174.3	42,601.7	48,940.4	58,375.8
Net worth	35,342.7	39,415.2	42,842.6	49,181.3	58,616.7
Def. Tax Liab.+Minori	302.3	245.0	267.6	290.2	312.8
Secured loans	15,518.0	9,047.2	8,088.9	6,088.9	4,088.9
Unsecured loans	14,287.1	11,364.9	17,223.9	15,223.9	13,223.9
Total debt	29,805.1	20,412.1	25,312.8	21,312.8	17,312.8
CAPITAL EMPLOYED	65,450.1	60,072.3	68,423.0	70,784.3	76,242.3
Gross block	38,076.4	41,948.8	48,040.4	52,040.4	56,040.4
Accumulated depreci	(12,805.8)	(15,810.4)	(19,044.9)	(22,548.6)	(26,321.7)
Net block	25,270.6	26,138.4	28,995.5	29,491.8	29,718.7
Capital WIP	1,050.0	1,875.4	1,900.0	1,900.0	1,900.0
Total fixed assets	26,320.6	28,013.8	30,895.5	31,391.8	31,618.7
Goodwill	1,281.6	1,298.2	1,304.2	1,304.2	1,304.2
Investments	33,242.4	27,942.0	23,953.9	23,953.9	23,953.9
Inventories	11,932.6	11,812.2	14,845.3	14,186.5	15,631.6
Sundry debtors	3,289.4	3,933.3	4,453.6	4,910.7	5,410.9
Cash & bank	1,979.8	4,463.5	11,908.7	15,408.9	20,291.9
Loans & advances	7,100.0	4,600.0	2,600.0	2,600.0	2,600.0
Other current assets	7,808.3	8,233.8	10,504.3	11,239.6	12,026.4
Sundry creditors	(14,488.1)	(16,274.8)	(16,816.8)	(18,510.7)	(20,396.2)
O. Current Liabilities	(8,180.0)	(8,470.3)	(9,495.2)	(9,969.9)	(10,468.4)
Provisions	(5,390.3)	(5,897.6)	(6,201.8)	(6,201.8)	(6,201.8)
Working capital	4,051.7	2,400.1	11,798.1	13,663.3	18,894.3
Deferred Tax Assets	553.8	418.2	471.2	471.2	471.2
Miscellaneous exp.	-	-	-	-	-
CAPITAL DEPLOYED	65,450.1	60,072.3	68,423.0	70,784.3	76,242.3

Cash Flow St. (Rs. mn)	FY23	FY24	FY25E	FY26E	FY27E
Net Profit	23,217.7	21,398.1	21,133.5	24,044.9	27,141.5
Add: Dep. & Amort.	2,259.1	3,004.6	3,234.5	3,503.8	3,773.1
Cash profits	25,476.8	24,402.7	24,368.0	27,548.7	30,914.6
(Inc)/Dec in					
-Sundry debtors	29.9	(643.9)	(520.3)	(457.1)	(500.2)
-Inventories	1,742.3	120.4	(3,033.1)	658.8	(1,445.1)
-Loans/advances	374.5	2,074.5	(270.5)	(735.3)	(786.8)
-Sundry creditors	1,635.9	1,786.7	542.0	1,693.9	1,885.5
-Others	1,786.7	797.6	1,329.1	474.8	498.5
Change in working capita	5,569.3	4,135.3	(1,952.8)	1,635.0	(348.0)
CF from Oper. activities	31,046.1	28,538.0	22,415.2	29,183.7	30,566.5
CF from Inv. activities	(22,591.1)	586.0	(2,134.1)	(4,000.0)	(4,000.0)
CF from Fin. activities	(8,324.2)	(26,640.3)	(12,835.9)	(21,683.6)	(21,683.6)
Cash generated/(utilised)	130.8	2,483.7	7,445.2	3,500.2	4,883.0
Cash at start of the year	1,849.0	1,979.8	4,463.5	11,908.7	15,408.9
Cash at end of the year	1,979.8	4,463.5	11,908.7	15,408.9	20,291.9

Ratios	FY23	FY24	FY25E	FY26E	FY27E
OPM	17.4	18.9	17.4	17.7	17.8
NPM	11.9	12.6	11.7	12.0	12.2
Tax rate	(23.7)	(26.7)	(25.2)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	15.3	2.9	7.7	10.3	10.2
Operating Profit	28.6	12.0	(0.8)	12.0	11.2
PAT	28.7	9.1	(0.5)	12.8	12.9
Per Share (Rs.)					
Net Earnings (EPS)	81.5	88.9	88.5	99.8	112.7
Cash Earnings (CPS)	106	101	101	114	128
Dividend	56.5	73.5	73.5	73.5	73.5
Book Value	146.7	163.6	177.8	204.2	243.3
Free Cash Flow	35.10	120.90	84.19	104.54	110.28
Valuation Ratios					
P/E(x)	61.7	56.6	56.8	50.4	44.6
P/B(x)	34.3	30.7	28.3	24.6	20.7
EV/EBIDTA(x)	42.7	38.0	38.6	34.3	30.8
Div. Yield(%)	1.1	1.5	1.5	1.5	1.5
FCF Yield(%)	0.7	2.4	1.7	2.1	2.2
Return Ratios (%)					
ROE	55.5	54.3	49.8	48.9	46.3
ROCE	39.8	47.8	41.2	44.8	46.4

Source: Dalal & Broacha Research, Company

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