

Britannia Industries

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR5,403 TP: INR5,850 (+8%) Neutral

Pricing leads to revenue growth; pressure on margin sustains

- Britannia Industries (BRIT) posted consolidated revenue growth of 10% YoY in 1QFY26 (in line). Volume growth was ~2% (est. 3%), while transaction growth stood at 12%. The 6-8% gap between revenue and volume growth is expected to persist over the next two quarters. Rural markets posted strong double-digit growth, outpacing the high single-digit growth seen in urban areas.
- GM contracted 310bp YoY to 40.3%, impacted by elevated commodity prices on a YoY basis, although prices remained stable sequentially (refer to Exhibit 3). The benefit of the palm oil duty reduction was partially reflected in 1QFY26 and is expected to fully flow through from 2QFY26. Employee expenses rose 20% YoY on account of SAR revaluation, which added INR520m to costs. Other expenses declined 3% YoY. EBITDA margin contracted 140bp YoY to 16.4% (est. of 17.3%), while EBITDA remained flat YoY at INR7.6b. Management indicated that the company remains open to implementing price cuts, if necessary, to stay competitive. We model an EBITDA margin of 18-18.5% for FY26-28.
- BRIT's focus on innovation, distribution expansion, marketing, pricing actions, RTM 2.0, and dairy capacity expansion is expected to drive growth. With key raw material prices softening and competitive intensity remaining stable in the organized space, BRIT's profitability could see a recovery, similar to the previous inflationary cycle. However, we await a stable demand recovery in core categories. **We reiterate our Neutral rating with a TP of INR5,850 (premised on 50x Jun'27E EPS).**

Bloomberg	BRIT IN
Equity Shares (m)	241
M.Cap.(INRb)/(USDb)	1301.3 / 14.8
52-Week Range (INR)	6473 / 4506
1, 6, 12 Rel. Per (%)	-3/5/-10
12M Avg Val (INR M)	1968

Financials & Valuations (INR b)

Y/E March	2026E	2027E	2028E
Sales	197.7	216.2	237.4
Sales Gr. (%)	10.2	9.4	9.8
EBITDA	35.6	39.3	44.2
EBITDA mrg. (%)	18.0	18.2	18.6
Adj. PAT	25.0	28.0	31.7
Adj. EPS (INR)	104.0	116.4	131.7
EPS Gr. (%)	13.2	12.0	13.2
BV/Sh.(INR)	207.3	244.3	294.6

Ratios

RoE (%)	53.6	51.6	48.9
RoCE (%)	41.2	41.5	41.1
Payout (%)	74.1	67.9	61.5

Valuation

P/E (x)	51.8	46.3	40.9
P/BV (x)	26.0	22.1	18.3
EV/EBITDA (x)	35.8	32.1	28.3
Div. Yield (%)	1.4	1.5	1.5

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	50.6	50.6	50.6
DII	18.7	18.3	16.8
FII	15.6	15.7	17.4
Others	15.2	15.5	15.2

FII includes depository receipts

In-line performance; volume growth at ~2%

- **Volume growth at ~2%:** BRIT's consolidated net sales (excluding other operating income) rose 10% YoY to INR45.3b (est. INR44.8b) in 1Q. Other operating income declined 27% YoY to INR0.9b (on a high base). Consolidated total revenue rose 9% YoY to INR46.2b (est. INR45.8b). The company delivered ~2% volume growth in 1Q (est. 3%, 3% in 4QFY25).
- **Commodity pressure on margin:** Consolidated gross margin contracted 310bp YoY to 40.3% (est. 40.8%) due to a rise in commodity prices. Employee expenses rose 20% YoY, while other expenses declined 3% YoY, leading to EBITDA margin contraction of 140bp YoY to 16.4% (est. of 17.3%).
- **Muted profitability:** EBITDA remained flat YoY at INR7.6b (est. INR7.9b). APAT declined 2% YoY to INR5.2b (est. INR5.5b).

Highlights from the management commentary

- In 1QFY26, five out of seven regions gained market shares compared to FY25. The only region that saw a decline was the East, primarily due to the internal restructuring of the distribution network, where a mega distribution model is being implemented. During this transition, local players gained share; however, the situation has since normalized.

- Overall market share remained largely flat, as regional players gained traction due to pricing advantages in certain markets and categories, especially amid alternating inflationary and deflationary cycles in the industry.
- E-commerce contributes 4% to the overall business, with quick commerce accounting for 75% of total e-commerce sales.
- The company has guided for a capex of INR1b in FY26, lower than the levels seen in the past few years.

Valuation and view

- We largely maintain our EPS estimates for FY26/FY27.
- BRIT's focus on innovation, distribution expansion, marketing, pricing actions, RTM 2.0, and dairy capacity expansion is expected to drive growth. With key raw material prices softening and competitive intensity remaining stable in the organized space, BRIT's profitability is expected to see a recovery, similar to the previous inflationary cycle. However, we await a stable demand recovery in core categories. **We reiterate our Neutral rating with a TP of INR5,850 (premised on 50x Jun'27E EPS).**

Consol. Quarterly Performance

(INR m)

Y/E March	FY25				FY26E				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE	(%)
Base business volume growth (%)	8.0	8.0	6.0	3.0	2.0	4.0	5.0	5.5	6.3	4.1	3.0	
Net Revenue	41,299	45,662	44,633	43,756	45,349	50,457	49,319	48,436	1,75,350	1,93,561	44,810	1.2
YoY change (%)	4.0	4.5	6.5	9.0	9.8	10.5	10.5	10.7	6.0	10.4	8.5	
Other operating income	1,204	1,013	1,293	566	874	1,013	1,035	1,207	4,077	4,129	1,023	(14.6)
YoY change (%)	194.6	62.4	100.5	2.4	-27.4	0.0	-20.0	113.2	82.8	1.3	-15.0	
Total Revenue	42,503	46,676	45,926	44,322	46,222	51,470	50,354	49,644	1,79,427	1,97,690	45,833	0.8
YoY change (%)	6.0	5.3	7.9	8.9	8.8	10.3	9.6	12.0	7.0	10.2	7.8	
Gross Profit	18,449	19,381	17,784	17,773	18,631	21,000	20,796	20,626	73,386	81,053	18,700	(0.4)
Margins (%)	43.4	41.5	38.7	40.1	40.3	40.8	41.3	41.5	40.9	41.0	40.8	
EBITDA	7,537	7,834	8,449	8,052	7,571	9,013	9,744	9,257	31,872	35,584	7,929	(4.5)
Margins (%)	17.7	16.8	18.4	18.2	16.4	17.5	19.4	18.6	17.8	18.0	17.3	
YoY growth (%)	9.4	-10.2	2.9	2.3	0.4	15.0	15.3	15.0	0.5	11.6	5.2	
Depreciation	739	761	824	810	820	837	850	850	3,133	3,357	828	
Interest	290	346	446	307	262	300	300	326	1,388	1,187	300	
Other Income	556	460	625	630	570	600	625	640	2,271	2,435	625	
PBT	7,064	7,187	7,804	7,566	7,059	8,476	9,219	8,721	29,621	33,475	7,426	(4.9)
Tax	1,762	1,836	1,961	1,928	1,809	2,136	2,323	2,158	7,487	8,426	1,871	
Rate (%)	24.9	25.5	25.1	25.5	25.6	25.2	25.2	24.7	25.3	25.2	25.2	
Adjusted PAT	5,295	5,317	5,823	5,591	5,201	6,313	6,867	6,560	22,027	24,942	5,532	(6.0)
YoY change (%)	16.3	-9.3	4.3	4.2	-1.8	18.7	17.9	17.3	3.1	13.2	4.5	

E: MOFSL Estimates