



3R MATRIX

	+	=	-
Right Sector (RS)	✓	✓	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✗	↔	✗
RQ	✓	↔	✓
RV	✓	↔	✓

Company details

Market cap:	Rs. 1,29,618 cr
52-week high/low:	Rs. 6,473/4,507
NSE volume: (No of shares)	3.6 lakh
BSE code:	500825
NSE code:	BRITANNIA
Free float: (No of shares)	11.9 cr

Shareholding (%)

Promoters	50.6
FII	17.1
DII	18.7
Others	13.7

Price chart



Source: NSE India, Mirae Asset Sharekhan Research

Price performance

(%)	1m	3m	6m	12m
Absolute	-6.9	-1.9	10.1	-5.0
Relative to Sensex	-4.9	-1.2	4.2	-7.1

Source: Mirae Asset Sharekhan Research, Bloomberg

Britannia Industries Ltd

Price-led revenue growth; margins stressed

Consumer Goods	Sharekhan code: BRITANNIA		
Reco/View: Buy	↔	CMP: Rs. 5,381	Price Target: Rs. 6,025 ↓

Summary

- Britannia's revenues grew 9% y-o-y (volumes up 2%), while OPM fell by 135 bps y-o-y leading to PAT growth of 3% y-o-y.
- Premiumization, innovation, distribution reforms, digital channel focus, targeted investments in brands and adjacencies continued to drive revenue growth.
- Management expects commodity prices to remain in a range, with input inflation largely covered by price hikes. Margin outlook is positive with commodity price stabilization.
- Stock trades at 53x/48x its FY26E/FY27E EPS, respectively. We retain a Buy with a revised PT of Rs. 6,025.

Britannia's consolidated revenues grew 8.8% y-o-y to Rs. 4,622 crore, largely in line with ours and the street's average expectation of Rs. 4,609 crore. Gross margins fell 310 bps y-o-y to 40.3%, while OPM declined 135 bps y-o-y to 16.4% due to higher input costs and higher employee costs. OPM lagged ours and the street expectation of 17.9%. Operating profit stood flat y-o-y at Rs. 757 crore and adjusted PAT fell by 1.8% y-o-y to Rs. 520 crore, missing our and average street expectation of Rs. 574 crore. Among adjacencies, rusks clocked high double-digit growth with profitability surging. Croissants delivered a ~25% growth; gross margins are strong now with a break-even at PBT level (post A&SP spends). Wafers clocked a ~30% growth, with the market share rising despite late entry, Dairy products registered a 40% growth in general trade, strong performance in e-commerce, while modern trade remains a challenge due to price competition. Among Drinks, milkshakes posted double-digit growth.

Key positives

- Strong transaction growth at 12% y-o-y indicating strong demand trends.
- Five out of seven regions gained market share.
- All four focus states have grown 2.7x of other states, with 65bps y-o-y market share gains.

Key negatives

- Gross margins fell 310 bps y-o-y to 40.1% due to high input cost inflation.

Management Commentary

- Britannia saw double-digit rural growth and high single-digit urban growth, including general, modern, and e-Commerce trade. Management remains cautious on macros due to global uncertainties (e.g., US elections, geopolitical events).
- Volumes grew ~2%, with a transaction growth of 12%. Management expects the delta between volumes and revenue growth to stay at 6-8% for the next 2-3 quarters due to price-led growth in a high-inflation environment.
- The company gained market share in 5 of 7 regions among organized players, with overall share flat but outperforming most peers.
- The Hindi belt (UP, Bihar, MP, Rajasthan) delivered 2.7x growth versus other states, with market share gains of 65 bps in Q1.
- Premium product salience rose 310 bps since FY22, a key management focus.
- Management expects commodity prices to remain within a band, with most inflation now covered by price hikes. Stable commodity environment expected to support margin expansion.
- FY26 capex guided at ~Rs. 100 crore (significantly lower than previous years), as current capacity is deemed adequate post recent expansions (Tirunelveli, UP and Orissa).
- Management highlighted a SAR (Stock Appreciation Rights) revaluation impact of Rs. 52 crore on profits.

Revision in earnings estimates – We have slightly tweaked our earnings estimates for FY26 and FY27 and will keenly monitor the performance in coming quarters.

Our Call

View – Maintain Buy with a revised PT of Rs. 6,025: Britannia has maintained its leadership position amid muted consumer demand with a focus on expanding in new markets. The management is striving for higher growth with an expected recovery in volume growth, while distribution expansion and RTM 2.0 will provide strong back-end support to overall growth in the coming years. Input cost inflation might put stress on margins in the near term. The management is confident of maintaining OPM at current levels on account of relevant pricing actions and cost efficiencies. The stock trades at 53x/48x its FY26E/FY27E EPS, respectively. Britannia's medium to long-term growth prospects are intact, considering its strong position in the snacking category. We maintain a Buy on the stock with a revised price target (PT) of Rs. 6,025.

Key Risks

Any sustained slowdown in key categories, higher competition from unorganised play, or spike in key input prices would act as a key risk to our earnings estimates in the coming years.

Valuation (Consolidated)

Particulars	FY23	FY24	FY25	FY26E	FY27E
Revenue	16,301	16,769	17,943	19,734	21,549
OPM (%)	17.4	18.9	17.8	18.1	18.3
Adjusted PAT	1,951	2,140	2,213	2,499	2,791
% YoY growth	28.6	9.7	3.4	12.9	11.7
Adjusted EPS (Rs.)	81.0	88.8	91.9	103.7	115.9
P/E (x)	68.3	62.5	60.6	53.4	47.8
P/B (x)	37.8	33.9	30.7	26.5	22.1
EV/EBIDTA (x)	47.7	42.3	42.0	37.4	33.5
RoNW (%)	64.1	57.3	53.4	53.2	50.4
RoCE (%)	32.8	33.0	36.4	39.2	38.1

Source: Company; Mirae Asset Sharekhan estimates

Results (Consolidated)

Particulars						Rs cr
	Q1FY26	Q1FY25	y-o-y %	Q4FY25	q-o-q %	
Net sales	4,534.9	4,129.9	9.8	4,375.6	3.6	
Other operating income	87.4	120.4	-27.4	56.6	54.3	
Total revenues	4,622.2	4,250.3	8.8	4,432.2	4.3	
Raw material cost	2,759.1	2,405.4	14.7	2,654.9	3.9	
Employee cost	241.9	202.0	19.8	164.5	47.0	
Other expenses	864.2	889.3	-2.8	807.6	7.0	
Total operating expenses	3,865.2	3,496.6	10.5	3,627.0	6.6	
Operating Profit	757.0	753.7	0.4	805.2	-6.0	
Other income	57.0	55.6	2.5	63.0	-9.5	
Interest expenses	26.2	29.0	-9.7	30.7	-14.7	
Depreciation	82.0	73.9	11.0	81.0	1.3	
Profit before tax	705.9	706.4	-0.1	756.6	-6.7	
Tax charges	180.9	176.2	2.7	192.8	-6.2	
Adjusted PAT	525.0	530.2	-1.0	563.8	-6.9	
Share of profit from associates	-4.9	-0.7	-	-4.7	4.3	
Adjusted PAT	520.1	529.5	-1.8	559.1	-7.0	
Exceptional item	0.0	-24.6	-	0.0	-	
Reported PAT	520.1	504.9	3.0	559.1	-7.0	
EPS (Rs.)	21.8	22.0	-1.0	23.4	-6.9	
			bps		bps	
GPM (%)	40.3	43.4	-310	40.1	21	
OPM (%)	16.4	17.7	-135	18.2	-179	
NPM (%)	11.4	12.5	-112	12.7	-136	
Tax rate (%)	25.6	24.9	68	25.5	14	

Source: Company; Mirae Asset Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Volumes and margins to recover gradually

Consumer goods companies are expected to see yet another muted quarter. We expect gradual uptick in volume growth on low base in the coming quarters driven by expectations of good monsoon, income tax benefits, interest rate cuts, and a gradual improvement in the macroeconomic environment. We believe large improvement in the volume growth could be seen in H2FY26 amid stable demand. We expect margins to remain lower in the coming quarters and if input prices stabilise in the coming months, we might see margin expansion from H2FY26.

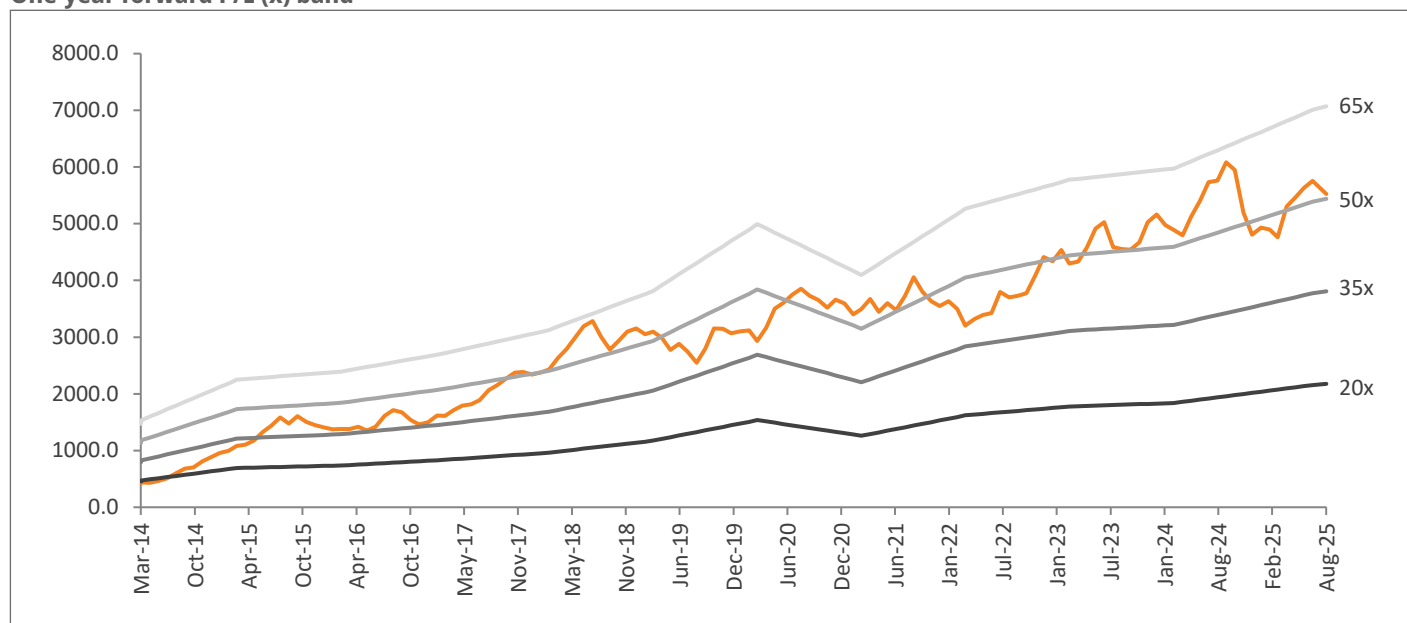
■ Company Outlook – Focus on achieving consistent volume growth in the long run

Britannia is focusing on achieving high single-digit to low double-digit volume growth in the medium term, through market share gains, distribution expansion, better penetration in the Hindi-speaking belt, and product launches. It has a strong product pipeline and will launch relevant products amid normal demand. Along with its focus on an improving mix, the company will stringently manage its discretionary costs and will continue to strengthen efficiencies at operational and distributional levels to reduce costs, which will help to achieve better OPM of high teens in the coming years.

■ Valuation – Maintain Buy with a revised PT of Rs. 6,025

Britannia has maintained its leadership position amid muted consumer demand with a focus on expanding in new markets. The management is striving for higher growth with an expected recovery in volume growth, while distribution expansion and RTM 2.0 will provide strong back-end support to overall growth in the coming years. Input cost inflation might put stress on margins in the near term. The management is confident of maintaining OPM at current levels on account of relevant pricing actions and cost efficiencies. The stock trades at 53x/48x its FY26E/FY27E EPS, respectively. Britannia's medium to long-term growth prospects are intact, considering its strong position in the snacking category. We maintain a Buy on the stock with a revised price target (PT) of Rs. 6,025.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

Peer Comparison

Particulars	P/E (x)			EV/EBITDA (x)			RoCE (%)		
	FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Hindustan Unilever	57.2	55.6	50.2	40.4	38.7	34.8	26.9	28.6	32.7
Nestle India	68.7	63.2	55.7	44.9	41.2	36.5	90.3	85.3	105.0
Britannia	60.6	53.4	47.8	42.0	37.4	33.5	36.4	39.2	38.1

Source: Company; Mirae Asset Sharekhan Research

About company

Britannia is one of India's leading packaged food companies with a 100-year legacy and annual revenue close to Rs. 18,000 crore. The company is among the most trusted food brands and manufactures well-known brands such as Good Day, Tiger, NutriChoice, Milk Bikis, and Marie Gold, which are household names in India. Britannia's product portfolio includes biscuits, bread, cakes, rusk, and dairy products, including cheese, beverages, milk, and yogurt. The company is the market leader in the biscuit category, with close to 34% market share in the domestic market.

Investment theme

Britannia is a strong brand with market leadership in the domestic biscuit market with a 40% share. Sustained new launches and entry into healthier and premium variants helped it gain market share and beat category growth. The company is also focusing on growing its adjacent categories such as dairy and bakery. Volume growth is expected to sustain in mid-single digits in the near term. Market share gains, expanding reach in rural India, and strong traction to innovation would help in improving the volume growth trajectory going ahead. Along with its focus on improving the mix, the company will stringently manage its discretionary cost and will continue to strengthen efficiencies at the operations and distribution level to reduce cost, which will help in achieving better OPM in high teens in the coming years.

Key Risks

- ♦ Any slowdown in key categories would lead to lower demand and impact revenue growth.
- ♦ Higher competition from unorganised play would put stress on volume growth.
- ♦ Any further spike in key input prices would hit margins and overall profitability.

Additional Data

Key management personnel

Name	Designation
Nusli N. Wadia	Chairman
Varun Berry	Managing Director and Chief Executive Officer
N. Venkataraman	Chief Financial Officer
T. V. Thulsidass	Company Secretary and Compliance Officer

Source: Company Website

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	7.21
2	ICICI Prudential Asset Management Co. Ltd.	2.09
3	Vanguard Group Inc.	2.06
4	SBI Funds Management Ltd.	1.98
5	Blackrock Inc.	1.92
6	Quant Money Managers Ltd.	0.95
7	ICICI Prudential Life Insurance Co. Ltd.	0.62
8	Norges Bank	0.50
9	Kotak Mahindra AMC Ltd	0.50
10	Schroders PLC	0.44

Source: Bloomberg

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Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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