Britannia Industries Ltd

Healthy Q3; stable margins to aid recovery

Reco/View: **BUY**	CMP: **Rs. 5,980**	Price Target: **Rs. 7,090**

Quick Snapshot

- Britannia's Q3FY26 revenue grew 8.2% y-o-y and OPM rose 230 bps y-o-y to 20.7% in turn driving up adjusted PAT by 23.4% y-o-y.
- With raw material prices stabilising, margins are expected to improve over the coming quarters. The company will be increasing brand investments with focus on balancing margin and growth.
- The new MD & CEO plans to focus on strengthening the Britannia brand, creating a functional foods category and enhancing presence in new channels.
- Stock trades at 55x/47x/41x its FY26E/FY27E/FY28E EPS, respectively. We maintain Buy on the stock with a revised PT of Rs. 7,090.

Result overview

- Consolidated revenues grew 8.2% y-o-y to Rs. 4,970 crore driven by strong momentum across both the biscuits and adjacent categories.
- October's performance was impacted due to GST-led disruptions, while the company reported 12% growth in November-December equally divided between GST-related grammage increases and volume growth.
- Adjacent categories of cake, rusk, croissant and wafers grew in double-digits, with contribution of E-Commerce channel to these businesses coming in at ~3x of biscuits. Dairy saw marginal growth in cheese, while other businesses such as ghee, milk drinks, dairy whitener grew faster.
- Gross margin rose by 454 bps y-o-y to 43.3% led by stable raw material prices and a better mix, while OPM rose by 230 bps y-o-y to 20.7% due to sharp 57% y-o-y rise in employee cost.
- Operating profit grew by 21.7% y-o-y to Rs. 1,029 crore. In line with rise in operating profit, adjusted PAT grew by 23.4% y-o-y to Rs. 719 crore. Adjusting for an exceptional item relating to change in labour code, reported PAT stood at Rs. 682 crore (up 17% y-o-y).
- 9MFY26 revenue grew by 6.8% y-o-y to Rs. 14,433 crore, OPM rose by 135 bps y-o-y to 19% and adjusted PAT grew by 15.2% y-o-y to Rs. 1,894 crore.

Our Call

Britannia 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. The stock trades at 55x/47x/41x its FY26E/FY27E/FY28E EPS, respectively. We maintain a Buy on the stock with a revised price target (PT) of Rs. 7,090.

Key Risks

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.

Valuation (Consolidated) Rs cr

Particulars	FY24	FY25	FY26E	FY27E	FY28E
Revenue	16,769	17,943	19,597	21,901	24,462
OPM (%)	18.9	17.8	19.0	19.5	19.8
Adjusted PAT	2,140	2,213	2,611	3,050	3,519
Adjusted EPS (Rs.)	88.8	91.9	108.4	126.6	146.1
P/E (x)	67.4	65.4	55.2	47.2	40.9
P/B (x)	36.5	33.1	27.9	22.5	18.6
EV/EBIDTA (x)	45.6	45.3	38.5	33.3	29.2
RoNW (%)	57.3	53.4	54.9	52.8	49.7
RoCE (%)	33.0	36.4	39.2	40.3	44.5

Source: Company; Mirae Asset Sharekhan estimates

STOCK UPDATE

Result Update - Q3FY2026

SECTOR

Consumer Goods

COMPANY DETAILS

Market cap:	Rs. 1,44,031 cr
52-week high/low:	Rs. 6,337/4,507
NSE volume: (No of shares)	3.5 lakh
BSE code:	500825
NSE code:	BRITANNIA
Free float: (No of shares)	11.9 cr

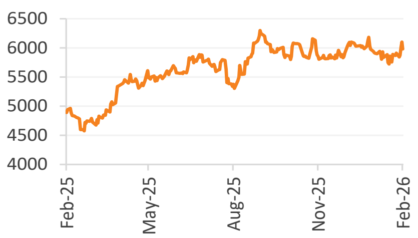
Source: NSE, BSE, Mirae Asset Sharekhan Research

SHAREHOLDING (%)

Promoters	50.6
FII	16.4
DII	19.6
Others	13.5

Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE CHART



Source: NSE, BSE, Mirae Asset Sharekhan Research

PRICE PERFORMANCE

(%)	1m	3m	6m	12m
Absolute	1.0	2.2	11.2	22.3
Relative to Sensex	2.2	4.4	8.6	13.8

Source: Mirae Asset Sharekhan Research, Bloomberg

Concall highlights

- GST-led trade disruptions weighed on performance in October. However, the business grew by ~12% in November and December driven by 1) Sustained investments in media to strengthen brand visibility, 2) Enhancement of product portfolio through innovations such as the 50-50 Dipped range and 3) Catering to a wider consumer base with offerings like 'Veg' cake variants and 'Doodh' Marie Gold, amongst others.
- The company has recently hired a new CMO who would be responsible for building a stronger brand 'Britannia' along with the adjacencies through better brand experiences, sustained investments and distinctive and localized product innovations.
- Incoming MD & CEO Mr. Rakshit Hargave indicated a foray in functional foods, specially with Nutri Choice, and indicated the entire initial buildup would not happen organically.
- Management indicated that regional competition is present in pockets across all areas with eastern India facing highest intensity. Localised players are leveraging benign commodity prices to offer extra value and trade schemes. The management indicated that it will continue to fight regional competitors with brand building and innovations.
- The company's salience in E-commerce/Quick Commerce currently stands in high single digits. It expects this to increase to teens by FY27. Going forward, Britannia plans to launch more digital-first brands, which are also expected to be margin-accretive.
- The company is open to acquisitions (inorganic growth) to complement its organic biscuits and snacks portfolio.
- Overall commodity prices remained largely stable in Q3. Palm oil prices deflated 9% y-o-y, cocoa prices declined 12% y-o-y, while sugar/flour/milk remained inflationary at +6%/+6%/+23% y-o-y, respectively. The wheat crop season will start from March, and the company expects overall commodity inflation to be benign.

Results (Consolidated) Rs cr

Particulars	Q3FY26	Q3FY25	Y-o-Y %	Q2FY26	Q-o-Q %
Net sales	**4,885.2**	**4,463.3**	**9.5**	**4,752.2**	**2.8**
Other operating income	84.6	129.3	-34.6	88.5	-4.4
Total revenues	**4,969.8**	**4,592.6**	**8.2**	**4,840.6**	**2.7**
Raw material cost	2,819.8	2,814.3	0.2	2,822.9	-0.1
Employee cost	166.2	105.9	57.0	181.1	-8.2
Other expenses	955.3	827.6	15.4	882.1	8.3
Total operating expenses	3,941.3	3,747.7	5.2	3,886.1	1.4
Operating Profit	**1,028.6**	**844.9**	**21.7**	**954.5**	**7.8**
Other income	59.5	62.5	-4.8	52.1	14.1
Interest expenses	33.3	44.6	-25.4	34.7	-4.1
Depreciation	84.5	82.4	2.6	85.1	-0.6
Profit before tax	**970.2**	**780.4**	**24.3**	**886.9**	**9.4**
Tax charges	249.1	196.1	27.0	228.6	9.0
Adjusted PAT	**721.1**	**584.3**	**23.4**	**658.3**	**9.5**
Share of profit from associates	-2.7	-2.0	30.4	-3.3	-18.9
Adjusted PAT	718.5	582.3	23.4	655.1	9.7
Exceptional item	-36.3	0.0	-	0.0	-
Reported PAT	**682.1**	**582.3**	**17.1**	**655.1**	**4.1**
EPS (Rs.)	29.9	24.3	23.4	27.3	9.5
			bps		**bps**
GPM (%)	43.3	38.7	454	41.7	158
OPM (%)	20.7	18.4	230	19.7	98
NPM (%)	14.5	12.7	179	13.6	91
Tax rate (%)	25.7	25.1	55	25.8	-9

Source: Company; Mirae Asset Sharekhan Research

Additional Data

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	5.21
2	ICICI Prudential AMC Ltd.	2.76
3	Vanguard Group Inc.	2.11
4	Blackrock Inc	1.99
5	SBI Funds Management Ltd.	1.34
6	HDFC AMC Ltd.	0.95
7	ICICI Prudential Life Insurance Co. Ltd.	0.82
8	Kotak Mahindra AMC Ltd.	0.58
9	Franklin Resources Inc.	0.55
10	Mirae Asset Financial Group	0.55

Source: Bloomberg

Key management personnel

Name	Designation
Rakshit Hargave	Chief Executive Officer and Managing Director
N. Venkataraman	Executive Director and CFO
T V Thulsidass	Company Secretary and Compliance Officer

Source: Company Website

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SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD) / MCX - Commodity: INZ000171337; BSE – 748, NSE – 10733, MCX – 56125, DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669 (date of initial registration: 03/07/2004, and valid till 02/07/2026); IRDAI Registered Corporate Agent (Composite) License No. CA0950, valid till June 13, 2027.

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