

August 5, 2024

Q1FY25 Result Update

☒ Change in Estimates | ☒ Target | ☒ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	ACCUMULATE		HOLD	
Target Price	6,080		5,315	
Sales (Rs. m)	1,84,810	2,04,603	1,83,790	2,03,531
% Chng.	0.6	0.5		
EBITDA (Rs. m)	34,610	38,592	33,878	37,822
% Chng.	2.2	2.0		
EPS (Rs.)	102.4	113.7	99.7	110.7
% Chng.	2.7	2.6		

Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	1,63,006	1,67,693	1,84,810	2,04,603
EBITDA (Rs. m)	28,309	31,698	34,610	38,592
Margin (%)	17.4	18.9	18.7	18.9
PAT (Rs. m)	19,407	21,371	24,664	27,382
EPS (Rs.)	80.6	88.7	102.4	113.7
Gr. (%)	27.9	10.1	15.4	11.0
DPS (Rs.)	56.5	72.0	73.5	80.0
Yield (%)	1.0	1.2	1.3	1.4
RoE (%)	63.7	57.2	57.7	54.5
RoCE (%)	45.2	45.9	53.9	58.0
EV/Sales (x)	8.6	8.3	7.5	6.7
EV/EBITDA (x)	49.4	43.8	39.9	35.5
PE (x)	71.6	65.0	56.3	50.7
P/BV (x)	39.3	35.2	30.1	25.5

Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.6,008 / Rs.4,348
Sensex / Nifty	80,982 / 24,718
Market Cap	Rs.1,389bn / \$ 16,583m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.2040.29m

Shareholding Pattern (%)

Promoter's	50.55
Foreign	17.41
Domestic Institution	16.82
Public & Others	15.23
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.7	12.0	19.9
Relative	4.7	(0.3)	(2.6)

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Britannia Industries (BRIT IN)

Rating: ACCUMULATE | CMP: Rs5,766 | TP: Rs6,080

Strong volume growth visibility

Quick Pointers:

- 1Q exit volume growth in double digit, outlook remains strong
- 5% input cost inflation, might look at price increases in 2Q/3Q

We upgrade BRIT from Hold to Accumulate and increase FY25/26 EPS estimates by 2.7% led by 1) high single digit volume growth with double digit exit volume growth in 1Q25 2) Higher profitability due to Ranjangaon unit being considered as ultra-Mega project and PLI gains in UP and Bihar Units 3) Sustained traction and 1.25x growth in rural India than Urban India 4) Success of innovations and adjacencies in Bakery and Dairy. BRIT is looking at 5% RM inflation led by Flour, Milk and Sugar, which might require some price hikes in coming quarters. Innovation pipeline remains strong as BRIT launched pure magic stars, 5050 golmaal butter garlic biscuits even as earlier innovations like Jimjam Pops, Treat and 50-50 Gol Maal sustained traction.

Despite higher gains from PLI and Ranjangaon project linked incentives, we expect flattish margins as BRIT will focus on volume led growth. Long-term drivers led by innovations, Focus on adjacencies, rural distribution and GTM initiatives remains on track. We estimate 10.5%/13.1% sales and PAT CAGR over FY24-26. We value the stock at 50x Sep'26EPS and assign a target price of Rs6080 (Rs5315 earlier). Accumulate for medium term gains.

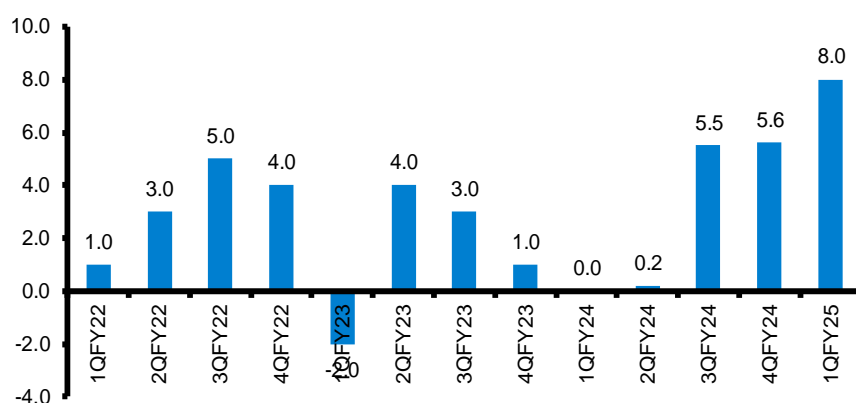
1Q volumes up 8%: Consolidated Revenues grew by 6% YoY to Rs42.5bn (PLe: Rs42.5bn). Gross margins expanded by 147bps YoY to 43.4%.(PLe: 43.5%). Gross margins have been driven by 174% YoY and 107% increase in other operating income, which we believe could be due to PLI gains. Excluding this Gross margin increase would have been just 30bps. EBITDA grew by 9.4% YoY to Rs7.5bn (PLe:Rs7.7bn); Margins expanded by 56bps YoY to 17.7% (PLe:18.3%). PBT grew by 14.1% YoY to Rs 7.1bn(PLe: Rs 7.1bn). Adjusted PAT grew by 17.2% YoY to Rs5.3bn (PLe:Rs5.2bn). Imputed Subsidiary Sales grew by 11.3% YoY to Rs1.6bn; PAT declined by 63% YoY to 34.5mn.

Concall Takeaways: 1) Rural growth was ahead of urban and rural is seeing continuous uptick in demand led by moderate inflation, good monsoon & rural employment being at all-time high 2) Hindi belt which accounts to 15% of sales is still under some pressure as consumers there are more value sensitive 3) BRIT is facing inflation of 5% led by wheat, sugar, Milk & Cocoa which might require price hike in coming quarters 4) BRIT is leveraging its e-comm platform to increase awareness about its premium products and newer launches 6) Cake and Rusk are in the double-digit territory in terms of net margins. Bread, which used to have negative margins, is now almost touching a double-digit margin. 7) The company continues to gain market share, with a trend of gaining about one share point a year for the past 8-10 years. 8) The company has launched Pure Magic Stars, a new product, and its performance is yet to be determined. They have also launched 50-50 Golmaal, a variant of an earlier product, which is a butter garlic flavor.

Exhibit 1: 4QFY24 Consolidated Results: Sales up 5.8%, GM up by ~150bps YOY

Y/e March (Rs m)	1QFY25	1QFY24	YoY gr. (%)	4QFY24	FY25E	FY24	YoY gr. (%)
Net Sales	40,944	38,706	5.8	39,242	1,76,716	1,61,861	9.2
Gross Profit	17,074	15,567	9.7	16,974	72,717	67,580	7.6
<i>Margins (%)</i>	<i>41.7</i>	<i>40.2</i>	<i>1.5</i>	<i>43.3</i>	<i>41.1</i>	<i>41.8</i>	<i>-0.6</i>
Other Expenses	9,791	8,900	10.0	9,270	39,964	36,872	8.4
<i>% of Sales</i>	<i>23.9</i>	<i>23.0</i>	<i>0.9</i>	<i>23.6</i>	<i>22.6</i>	<i>22.8</i>	<i>-0.2</i>
EBITDA	7,283	6,666	9.2	7,704	32,754	30,708	6.7
<i>Margins (%)</i>	<i>17.8</i>	<i>17.2</i>	<i>0.6</i>	<i>19.6</i>	<i>18.5</i>	<i>19.0</i>	<i>-0.4</i>
Depreciation	667	634	5.3	727	2,809	2,712	3.6
Interest	286	484	(40.9)	258	1,910	1,514	26.1
Other Income	673	522	29.0	552	2,346	2,101	11.7
PBT	7,003	6,071	15.4	7,270	30,381	28,583	6.3
Tax	1,736	1,640	5.8	1,969	8,051	7,734	4.1
<i>Tax Rate (%)</i>	<i>24.8</i>	<i>27.0</i>	<i>-2.2</i>	<i>27.1</i>	<i>26.5</i>	<i>27.1</i>	<i>-0.6</i>
Adjusted PAT	5,267	4,431	18.9	5,302	22,330	20,850	7.1

Source: Company, PL

Exhibit 2: 1Q Volumes increased ~8% YoY

Source: Company, PL

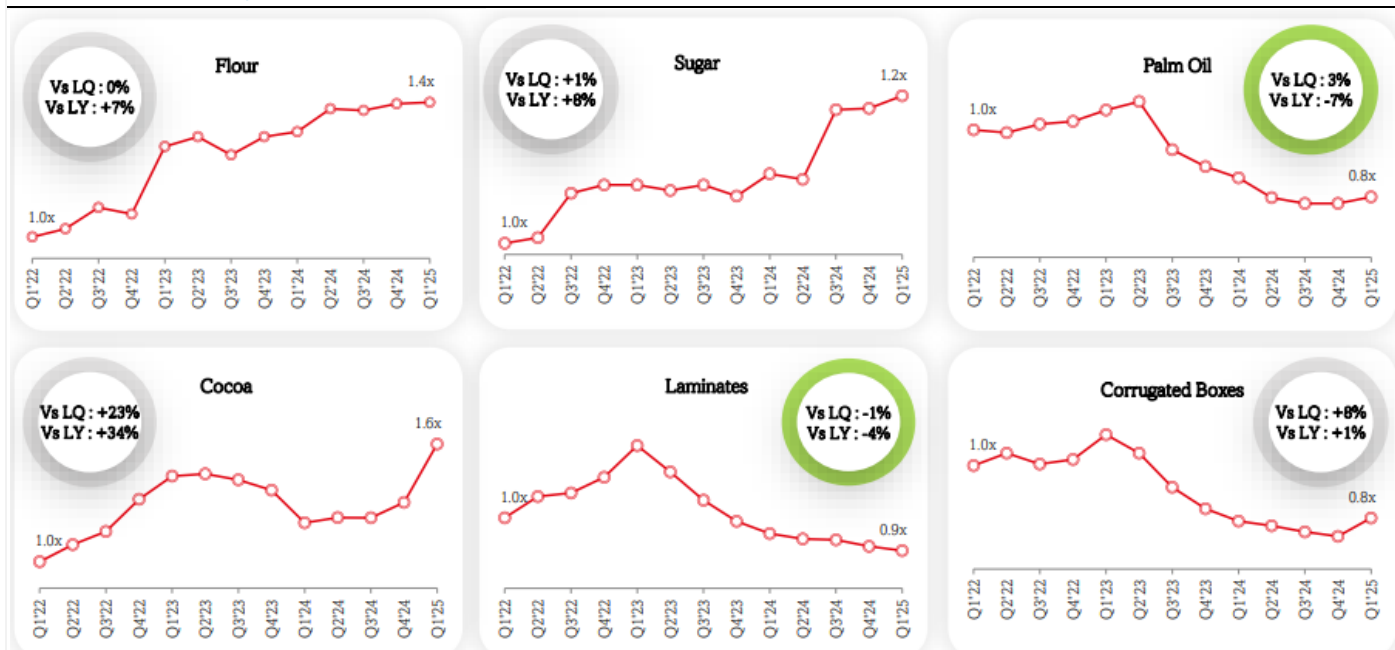
The other operating income in 1Q25 has increased to 3.2% of sales from 1.5% in 4Q23

Exhibit 3: Operating Revenue (as a % of sales) increased YoY/QoQ

(Rs mn)	2Q FY23	3Q FY23	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	1Q FY25
Other Operating Income	464	998	1,360	464	686	710	613	1271
% of sales	1.1%	2.4%	3.4%	1.2%	1.5%	1.7%	1.5%	3.2%
Gross Margin	37.3%	42.2%	43.1%	40.2%	41.3%	42.3%	43.3%	43.4%
EBIDTA margin	16.4%	19.7%	20.4%	17.2%	19.6%	19.3%	19.6%	18.5%
Overheads	20.9%	22.5%	22.7%	23.0%	21.7%	22.9%	23.6%	23.9%

Source: Company, PL

Exhibit 4: Commodity costs saw an uptick in 1Q except laminates



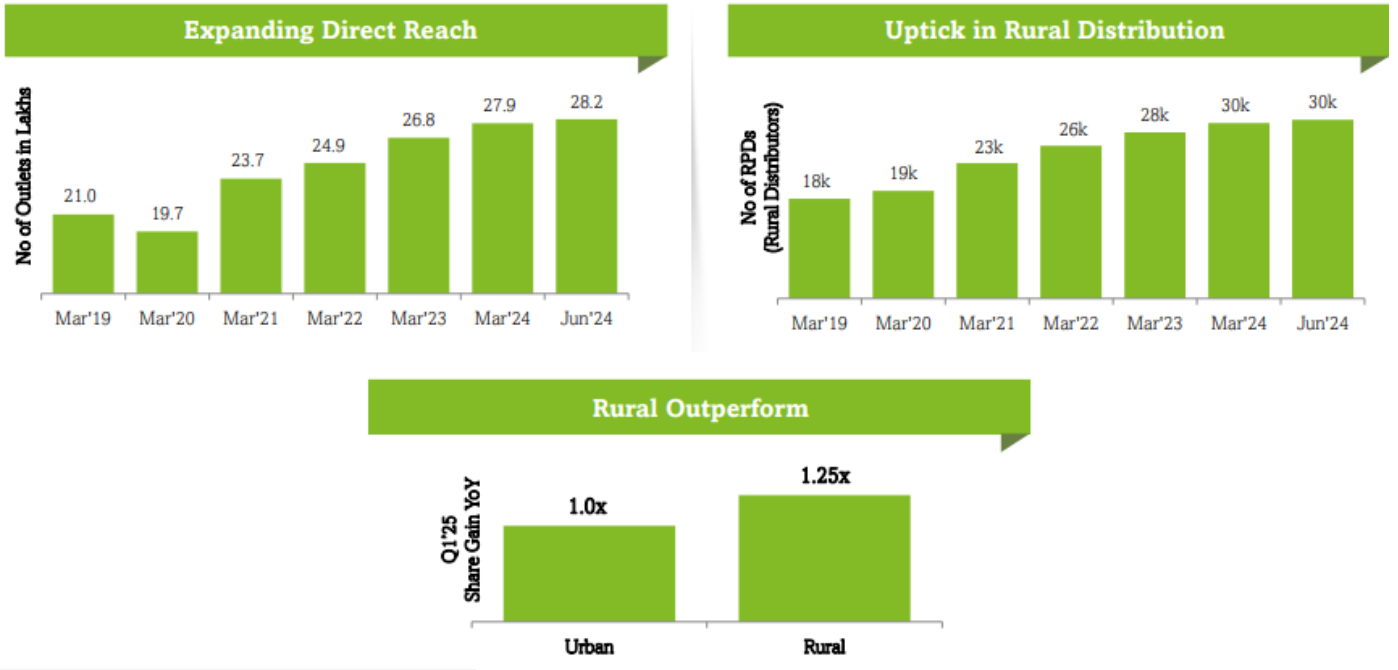
Source: Company, PL

Exhibit 5: RTM 2.0 to unlock new growth potential



Source: Company, PL

Exhibit 6: Brit continues building rural distribution & gaining market share



Source: Company, PL

Exhibit 7: Launched pure magic stars & 5050 golmaal butter garlic in 1Q



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Net Revenues	1,63,006	1,67,693	1,84,810	2,04,603
YoY gr. (%)	15.3	2.9	10.2	10.7
Cost of Goods Sold	95,913	94,920	1,04,989	1,16,356
Gross Profit	67,093	72,772	79,821	88,247
Margin (%)	41.2	43.4	43.2	43.1
Employee Cost	6,584	7,087	7,854	8,798
Other Expenses	1,065	1,889	1,848	2,046
EBITDA	28,309	31,698	34,610	38,592
YoY gr. (%)	28.6	12.0	9.2	11.5
Margin (%)	17.4	18.9	18.7	18.9
Depreciation and Amortization	2,259	3,005	2,602	2,848
EBIT	26,050	28,694	32,008	35,743
Margin (%)	16.0	17.1	17.3	17.5
Net Interest	1,691	1,640	1,305	854
Other Income	2,159	2,142	2,257	2,020
Profit Before Tax	26,518	29,196	32,959	36,910
Margin (%)	16.3	17.4	17.8	18.0
Total Tax	7,165	7,793	8,295	9,528
Effective tax rate (%)	27.0	26.7	25.2	25.8
Profit after tax	19,353	21,403	24,664	27,382
Minority interest	-	-	-	-
Share Profit from Associate	54	(32)	-	-
Adjusted PAT	19,407	21,371	24,664	27,382
YoY gr. (%)	27.9	10.1	15.4	11.0
Margin (%)	11.9	12.7	13.3	13.4
Extra Ord. Income / (Exp)	3,756	(29)	-	-
Reported PAT	23,163	21,342	24,664	27,382
YoY gr. (%)	52.8	(7.9)	15.6	11.0
Margin (%)	14.2	12.7	13.3	13.4
Other Comprehensive Income	153	11	-	-
Total Comprehensive Income	23,316	21,353	24,664	27,382
Equity Shares O/s (m)	241	241	241	241
EPS (Rs)	80.6	88.7	102.4	113.7

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
Non-Current Assets				
Gross Block	41,500	45,664	48,341	51,023
Tangibles	39,776	43,882	46,498	49,121
Intangibles	1,724	1,782	1,842	1,902
Acc: Dep / Amortization	14,948	17,953	20,554	23,402
Tangibles	14,648	17,578	20,232	23,069
Intangibles	300	375	322	333
Net fixed assets	26,552	27,711	27,786	27,621
Tangibles	25,128	26,304	26,267	26,051
Intangibles	1,424	1,407	1,520	1,569
Capital Work In Progress	1,050	1,875	1,975	2,075
Goodwill	-	-	-	-
Non-Current Investments	16,968	10,957	10,983	11,010
Net Deferred tax assets	554	418	439	461
Other Non-Current Assets	922	1,266	1,257	1,352
Current Assets				
Investments	18,010	16,965	13,861	17,391
Inventories	11,933	11,812	12,081	13,389
Trade receivables	3,289	3,933	3,724	3,576
Cash & Bank Balance	1,980	4,464	7,642	10,622
Other Current Assets	1,807	1,337	1,663	1,841
Total Assets	93,527	90,736	90,903	99,141
Equity				
Equity Share Capital	241	241	241	241
Other Equity	35,102	39,174	45,883	54,162
Total Networkth	35,343	39,415	46,124	54,402
Non-Current Liabilities				
Long Term borrowings	15,518	9,047	(938)	(3,938)
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	14,287	11,365	13,830	13,830
Trade payables	14,488	16,275	15,827	17,388
Other current liabilities	12,825	13,510	14,727	16,030
Total Equity & Liabilities	93,527	90,736	90,903	99,141

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	26,518	29,196	32,959	36,910
Add. Depreciation	2,997	3,005	2,602	2,848
Add. Interest	1,691	1,640	1,305	854
Less Financial Other Income	2,159	2,142	2,257	2,020
Add. Other	(2,021)	(757)	(2,208)	(2,070)
Op. profit before WC changes	29,184	33,083	34,658	38,542
Net Changes-WC	5,387	2,886	890	1,215
Direct tax	(7,165)	(7,793)	(8,295)	(9,528)
Net cash from Op. activities	27,407	28,177	27,253	30,229
Capital expenditures	(12,641)	(4,957)	(2,777)	(2,782)
Interest / Dividend Income	2,159	2,142	2,257	2,020
Others	(10,688)	5,543	3,104	(3,531)
Net Cash from Invt. activities	(21,171)	2,728	2,584	(4,293)
Issue of share cap. / premium	8,381	(3,779)	(127)	(1,396)
Debt changes	5,150	(9,393)	(7,520)	(3,000)
Dividend paid	(17,945)	(13,609)	(17,706)	(17,706)
Interest paid	(1,691)	(1,640)	(1,305)	(854)
Others	-	-	-	-
Net cash from Fin. activities	(6,105)	(28,421)	(26,659)	(22,956)
Net change in cash	131	2,484	3,179	2,980
Free Cash Flow	14,766	23,220	24,477	27,446

Source: Company Data, PL Research

Key Financial Metrics

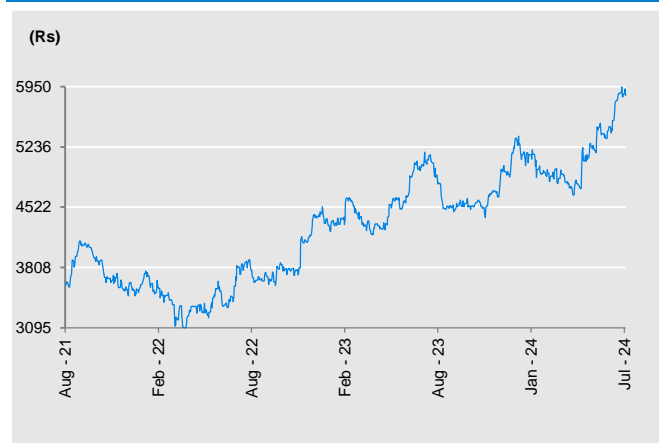
Y/e Mar	FY23	FY24	FY25E	FY26E
Per Share(Rs)				
EPS	80.6	88.7	102.4	113.7
CEPS	89.9	101.2	113.2	125.5
BVPS	146.7	163.6	191.5	225.8
FCF	61.3	96.4	101.6	113.9
DPS	56.5	72.0	73.5	80.0
Return Ratio(%)				
RoCE	45.2	45.9	53.9	58.0
ROIC	35.4	41.4	46.1	50.3
RoE	63.7	57.2	57.7	54.5
Balance Sheet				
Net Debt : Equity (x)	0.3	0.0	(0.2)	(0.3)
Net Working Capital (Days)	2	(1)	0	(1)
Valuation(x)				
PER	71.6	65.0	56.3	50.7
P/B	39.3	35.2	30.1	25.5
P/CEPS	64.1	57.0	50.9	45.9
EV/EBITDA	49.4	43.8	39.9	35.5
EV/Sales	8.6	8.3	7.5	6.7
Dividend Yield (%)	1.0	1.2	1.3	1.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
Net Revenue	44,329	42,563	40,694	42,503
YoY gr. (%)	1.2	1.4	1.1	6.0
Raw Material Expenses	25,318	23,891	22,425	24,054
Gross Profit	19,011	18,673	18,269	18,449
Margin (%)	42.9	43.9	44.9	43.4
EBITDA	8,724	8,211	7,875	7,537
YoY gr. (%)	22.6	0.4	(1.7)	9.4
Margin (%)	19.7	19.3	19.4	17.7
Depreciation / Depletion	717	781	799	739
EBIT	8,007	7,430	7,075	6,797
Margin (%)	18.1	17.5	17.4	16.0
Net Interest	534	311	264	290
Other Income	524	506	573	556
Profit before Tax	7,997	7,625	7,384	7,064
Margin (%)	18.0	17.9	18.1	16.6
Total Tax	2,121	2,026	1,980	1,762
Effective tax rate (%)	26.5	26.6	26.8	24.9
Profit after Tax	5,875	5,599	5,404	5,302
Minority interest	-	-	-	-
Share Profit from Associates	(10)	(13)	(38)	(7)
Adjusted PAT	5,865	5,586	5,366	5,295
YoY gr. (%)	19.6	0.3	(3.8)	16.3
Margin (%)	13.2	13.1	13.2	12.5
Extra Ord. Income / (Exp)	29	(25)	(17)	(233)
Reported PAT	5,894	5,561	5,349	5,063
YoY gr. (%)	18.9	(40.6)	(4.1)	11.3
Margin (%)	13.3	13.1	13.1	11.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	5,894	5,561	5,349	5,063
Avg. Shares O/s (m)	241	241	241	241
EPS (Rs)	24.4	23.2	22.3	22.0

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jul-24	Hold	5,315	5,547
2	06-May-24	Hold	5,315	5,062
3	09-Apr-24	Hold	5,157	4,793
4	07-Feb-24	Hold	5,157	5,078
5	08-Jan-24	Hold	5,130	5,177
6	02-Nov-23	Hold	4,801	4,527
7	07-Oct-23	Hold	4,612	4,538
8	07-Aug-23	Hold	4,500	4,670

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,605	2,974
2	Avenue Supermarts	Accumulate	5,104	5,027
3	Britannia Industries	Hold	5,315	5,547
4	Colgate Palmolive	Reduce	2,743	3,210
5	Dabur India	Hold	621	644
6	Emami	Hold	831	824
7	Hindustan Unilever	Hold	2,698	2,766
8	ITC	Accumulate	519	494
9	Jubilant FoodWorks	UR	-	570
10	Kansai Nerolac Paints	Reduce	284	307
11	Marico	Accumulate	621	615
12	Metro Brands	Hold	1,190	1,218
13	Mold-tek Packaging	Accumulate	853	797
14	Nestle India	Accumulate	2,746	2,481
15	Pidilite Industries	Accumulate	3,141	3,100
16	Restaurant Brands Asia	Accumulate	134	110
17	Titan Company	Accumulate	3,958	3,462
18	Westlife Foodworld	Hold	791	833

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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