

Q1 results underwhelming; balanced valuation

Consumer Goods ▶ Result Update ▶ August 06, 2025

CMP (Rs): 5,403 | TP (Rs): 5,500

We maintain **REDUCE**, lowering our Jun-26E TP by 6% to Rs5,500, based on 48x P/E (revised from 50x, now aligned with the 5Y average forward P/E). Q1 results were in line, adjusting for the Phantom Stock Option Scheme expenses. Under this scheme, employees are being incentivized with a Rs520mn payout, based on 19% stock price return. We believe this arrangement could weigh on near-term performance, as any stock price appreciation from strong execution will be rewarded back to the management, impacting reported financials. The management aims to offset the impact from next year. We find the recent actions to be accretive, ie: a) a sharper focus on health and indulgence through new launches; b) faster growth in Quick Commerce (now 3% of sales; 500bps higher market share), and c) healthy price hikes, along with expected RM stability. Our double-digit earnings growth forecast for FY26E remains intact, even after the 5% earnings cut. As the stock appears to be fairly valued, the employee cost impact from the scheme seems immaterial.

In-line topline; step-up in execution; competition still a concern

In Q1FY26, revenue growth of ~9% came in line: volumes grew ~2%, although transaction growth remained healthy at 12%. Ahead, the management indicated that growth will be price-led due to inflationary pressures. As 60% of sales come from impulse packs (Rs5/10), inflation weighs on demand. A gradual recovery in volume growth is expected. In Q1, the company gained market shares in five regions, with shares lost in two regions, resulting in flat overall market share. Among adjacent businesses, rusk maintained high double-digit growth; croissants grew 25%, wafers rose 30%, and dairy saw healthy growth. Cakes, however, continued with subdued growth.

Q1 margin weaker than expected; recovery key for earnings

The gross margin contracted by 310bps YoY to 40.3%. While most raw material prices were inflationary YoY, some saw slight moderation QoQ. The management expects raw material prices to remain stable and believes that price hikes taken should largely offset cost pressures. With regard to employee costs (+20% YoY), the management quantified a Rs520mn impact from the Phantom Stock Option. Adjusted for this, employee costs rose 7% YoY. The company aims to smoothen this impact from next year. Other expenses declined 3% YoY in absolute terms and fell by 225bps YoY to 18.7%, reflecting lower A&P spending. In FY25, A&P spending was cut by 19% as a margin-protection measure. From Q2, the company intends to return to normal A&P levels. We expect margin improvement starting Q2FY26 while for FY26, we model flat margins.

Valuation pricing in near-term growth outlook; maintain REDUCE

Britannia maintains its leadership in core categories, with focus on new-age consumers and emerging channels likely to support growth. Sustained momentum in adjacencies remains key for the overall outlook. With a 70bps margin expansion to 18.5% by FY28E, we see 11% earnings CAGR over FY25–28E. At current levels, we find the stock to be fairly valued (at ~48x for FY27E, in line with last 5Y average forward P/E).

Target Price – 12M	Jun-26
Change in TP (%)	(5.6)
Current Reco.	REDUCE
Previous Reco.	REDUCE
Upside/(Downside) (%)	1.8

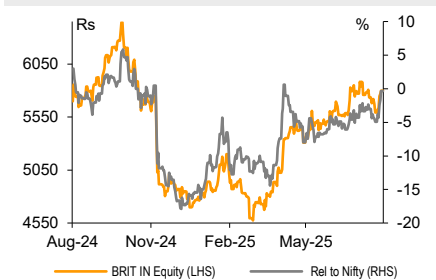
Stock Data	BRIT IN
52-week High (Rs)	6,473
52-week Low (Rs)	4,506
Shares outstanding (mn)	240.9
Market-cap (Rs bn)	1,301
Market-cap (USD mn)	14,832
Net-debt, FY26E (Rs mn)	(28,962.1)
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	1,477.9
ADTV-3M (USD mn)	16.8
Free float (%)	49.5
Nifty-50	24,574.2
INR/USD	87.7

Shareholding, Jun-25

Promoters (%)	50.5
FPIs/MFs (%)	15.6/18.7

Price Performance

(%)	1M	3M	12M
Absolute	(6.4)	0.2	(7.7)
Rel. to Nifty	(3.0)	(0.6)	(9.9)

1-Year share price trend (Rs)**Britannia Industries: Financial Snapshot (Consolidated)**

Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	167,693	179,427	193,761	209,704	225,324
EBITDA	31,698	31,872	34,476	37,933	41,624
Adj. PAT	21,427	22,035	24,208	26,971	29,591
Adj. EPS (Rs)	88.9	91.5	100.5	112.0	122.8
EBITDA margin (%)	18.9	17.8	17.8	18.1	18.5
EBITDA growth (%)	12.0	0.5	8.2	10.0	9.7
Adj. EPS growth (%)	10.1	2.8	9.9	11.4	9.7
RoE (%)	57.3	53.1	51.9	50.9	49.7
RoIC (%)	77.5	88.2	108.1	138.0	177.3
P/E (x)	60.8	59.7	51.1	47.5	43.4
EV/EBITDA (x)	42.5	42.2	39.0	35.5	32.3
P/B (x)	33.0	29.9	25.5	22.5	20.0
FCFF yield (%)	1.5	1.6	1.9	2.0	2.2

Source: Company, Emkay Research

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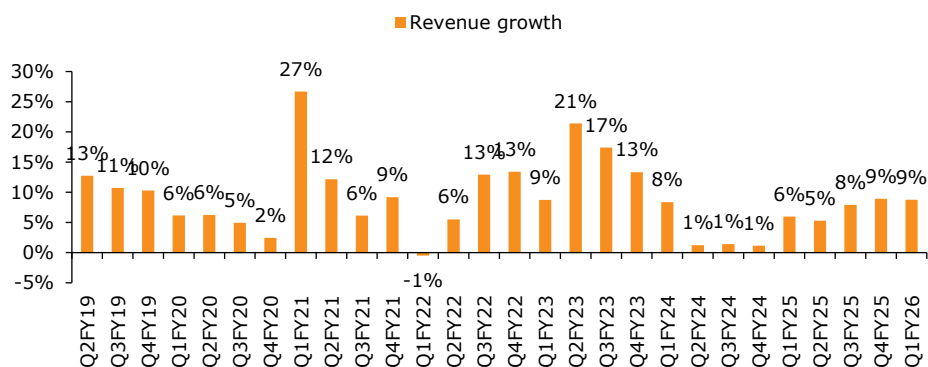
Q1FY26 performance

Exhibit 1: Q1FY26 performance (Consolidated)

(Rs mn)	1QFY26	1QFY25	YoY (%)	4QFY25	QoQ (%)	Emkay est.	Var (%)
Total income	46,222	42,503	8.8	44,322	4.3	46,503	(0.6)
Cost of goods	27,591	24,054	14.7	26,549	3.9	27,437	0.6
Employee expenses	2,419	2,020	19.8	1,645	47.0	1,850	30.7
Other expenses	8,642	8,893	(2.8)	8,076	7.0	8,900	(2.9)
EBITDA	7,571	7,537	0.4	8,052	(6.0)	8,316	(9.0)
EBITDA Margin (%)	16.4	17.7	-140bps	18.2	-180bps	17.9	-150bps
Depreciation	820	739	11.0	810	1.3	810	1.3
EBIT	6,750	6,797	(0.7)	7,242	(6.8)	7,507	(10.1)
EBIT Margin (%)	14.6	16.0	-140bps	16.3	-170bps	16.1	-150bps
Interest cost	262	290	(9.7)	307	(14.7)	250	4.6
Other income	570	556	2.5	630	(9.5)	550	3.7
PBT	7,059	7,064	(0.1)	7,566	(6.7)	7,807	(9.6)
Tax	1,809	1,825	(0.9)	1,928	(6.2)	1,991	(9.1)
Tax rate (%)	25.6	25.8	-20bps	25.5	10bps	25.5	10bps
Non-recurring items	0	(183.3)	(100.0)	0	#DIV/0!	0	#DIV/0!
Minority Interest	6	8	(22.4)	8	(28.0)	15	(60.7)
Share of profit from associate/JV	-49	7	(846.2)	-47	4.3	-10	385.0
PAT	5,207	5,069	2.7	5,600	(7.0)	5,821	(10.5)
Adj Profit	5,207	5,253	(0.9)	5,600	(7.0)	5,821	(10.5)
Net profit margin (%)	11.3	12.4	-110bps	12.6	-140bps	12.5	-130bps
EPS (Rs)	21.6	21.0	3.0	23.2	(7.0)	24.2	(10.5)

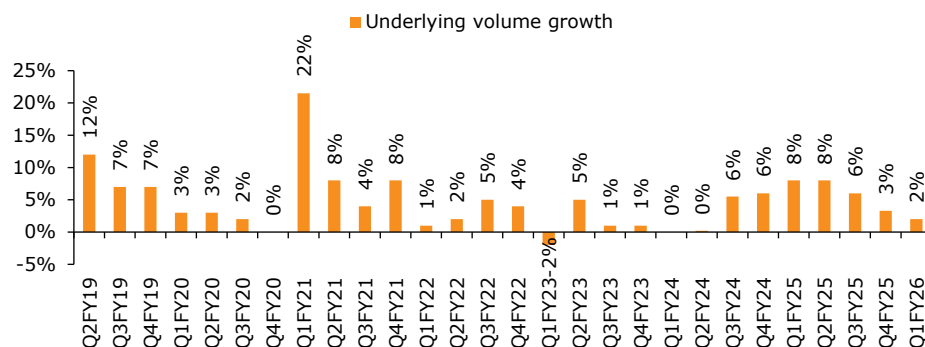
Source: Company, Emkay Research

Exhibit 2: Consolidated revenue growth



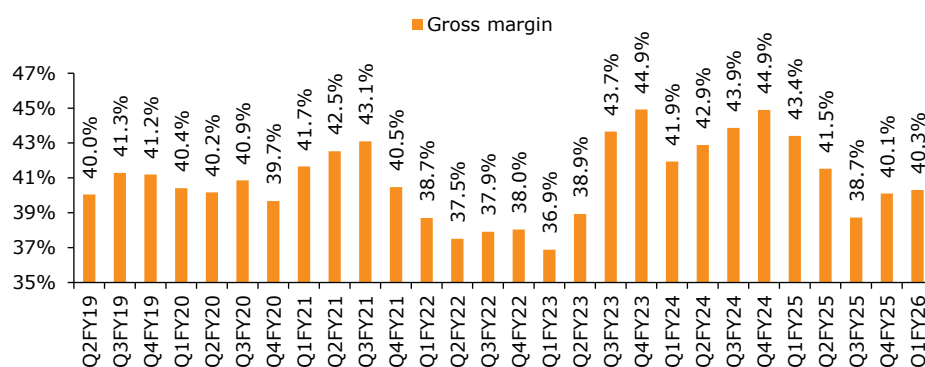
Source: Company, Emkay Research

Exhibit 3: Underlying domestic volume growth



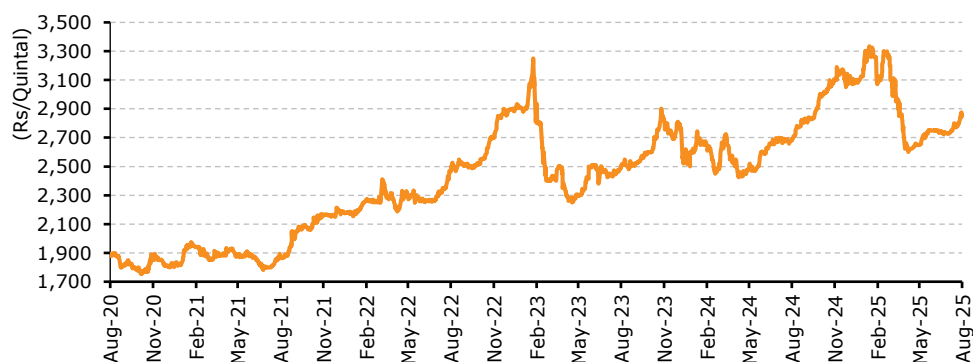
Source: Company, Emkay Research

Exhibit 4: Gross margin



Source: Company, Emkay Research

Exhibit 5: Wheat prices



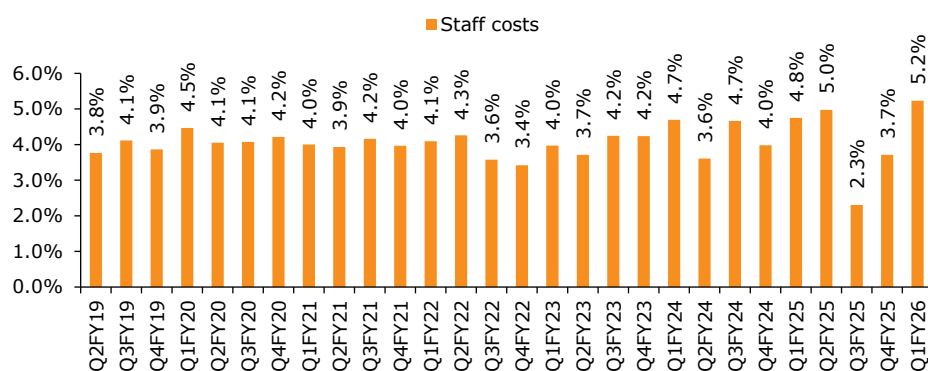
Source: NCDEX, Emkay Research

Exhibit 6: Crude palm oil price at Kandla



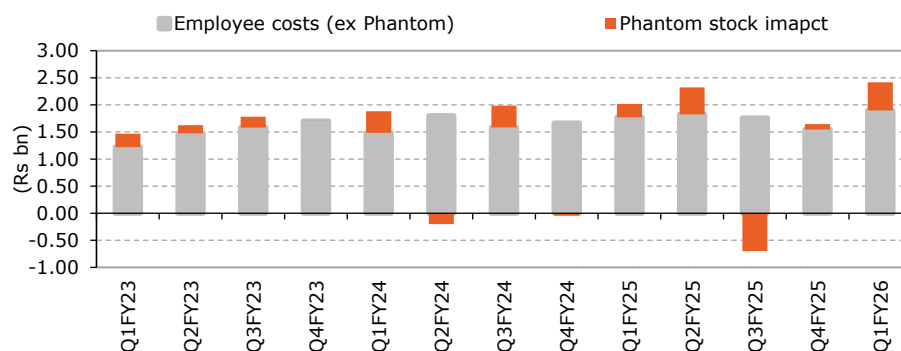
Source: NCDEX, Emkay Research

Exhibit 7: Staff costs as a % of sales



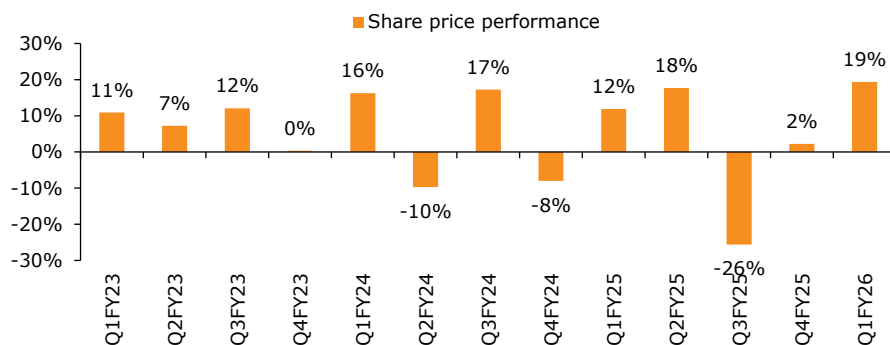
Source: Company, Emkay Research

Exhibit 8: Quarterly employee spends with estimated impact from the Phantom Stock Option



Source: Company, Emkay Research

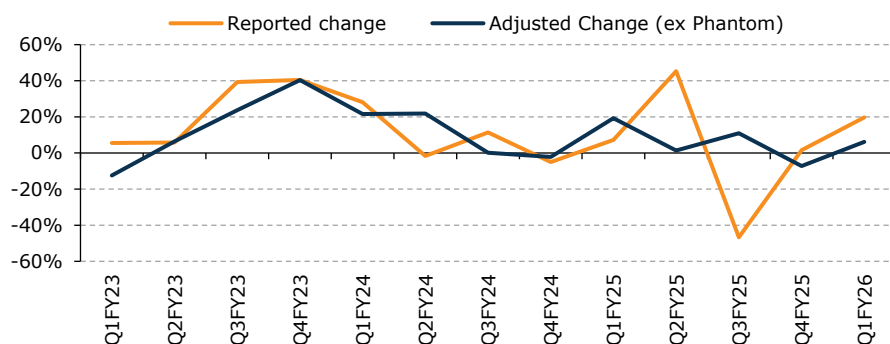
Exhibit 9: Quarterly stock price performance



Source: Bloomberg, Emkay Research

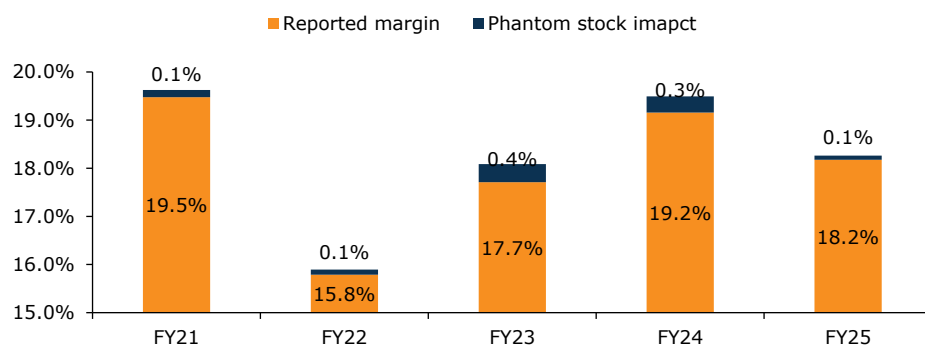
Note: Share price performance from start of the quarter to end of the quarter

Exhibit 10: Change in quarterly employee spending (YoY) with and without the impact of the Phantom Stock Option

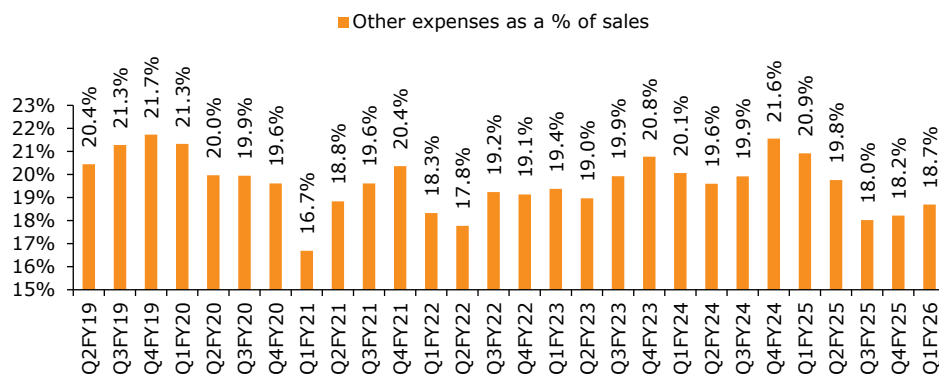


Source: Company, Emkay Research

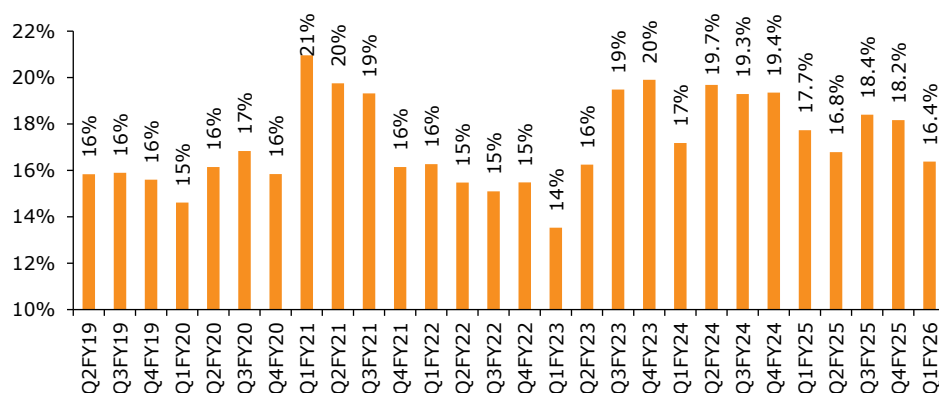
Exhibit 11: Reported annual EBITDA margin and the impact of Phantom Stock Option



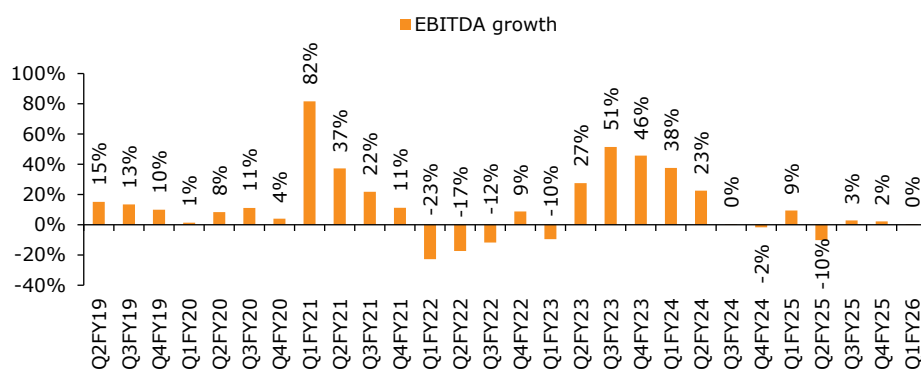
Source: Company, Emkay Research

Exhibit 12: Other operating expenses as a % of sales

Source: Company, Emkay Research

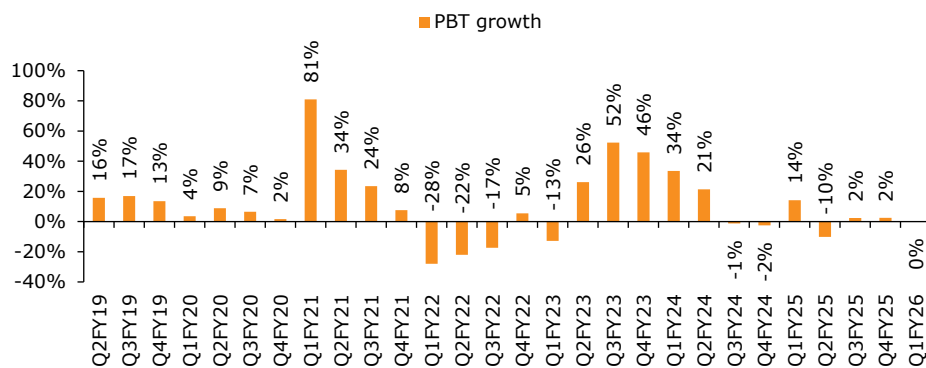
Exhibit 13: EBITDA margin

Source: Company, Emkay Research

Exhibit 14: Consolidated EBITDA growth

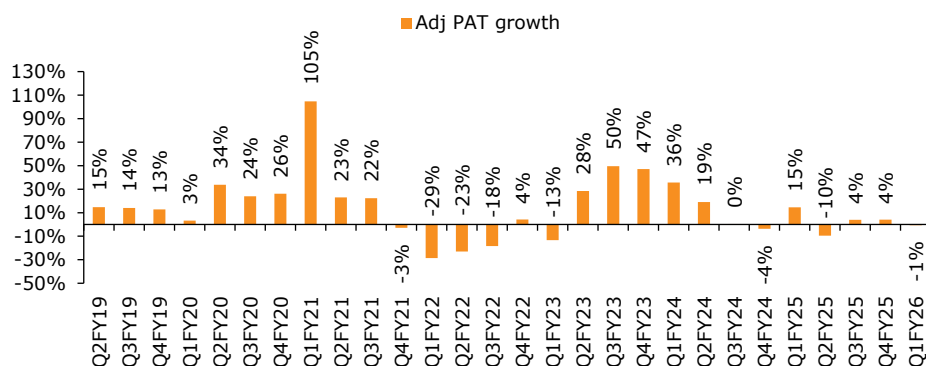
Source: Company, Emkay Research

Exhibit 15: Consolidated PBT growth



Source: Company, Emkay Research

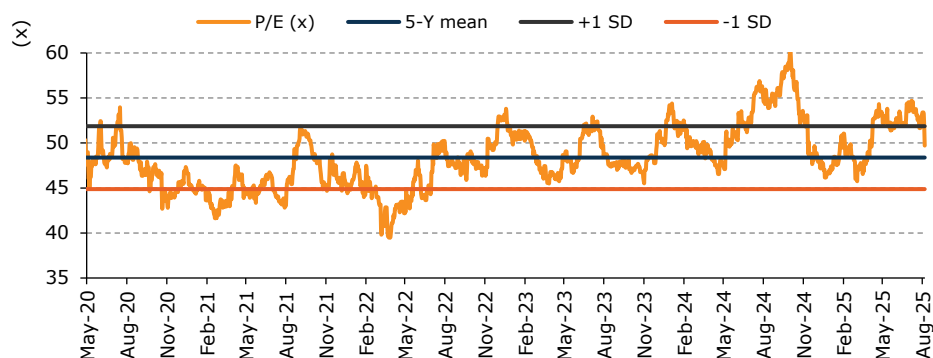
Exhibit 16: Consolidated adj PAT growth



Source: Company, Emkay Research

Valuations

Exhibit 17: One-year forward P/E (on consensus)



Source: Bloomberg, Emkay Research

Exhibit 18: Changes to our estimates

	New estimates			Old estimates			Changes to our estimates		
(Rs mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue from operations	193,761	209,704	225,324	193,879	208,974	224,542	0%	0%	0%
growth	8.0%	8.2%	7.4%	8.1%	7.8%	7.5%			
EBITDA	34,476	37,933	41,624	36,159	38,838	42,434	-5%	-2%	-2%
growth	8.2%	10.0%	9.7%	13%	7.4%	9.3%			
EBITDA margin	17.8%	18.1%	18.5%	18.7%	18.6%	18.9%			
Adj PAT	24,208	26,971	29,591	25,464	27,424	29,974	-5%	-2%	-1%
growth	9.9%	11.4%	9.7%	16%	7.7%	9.3%			
EPS	100.5	112.0	122.8	105.7	113.8	124.4	-5%	-2%	-1%

Source: Company, Emkay Research

Exhibit 19: Emkay estimates vs consensus

	Emkay estimates			Consensus estimates			Emkay estimate vs consensus		
(Rs mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue from operations	193,761	209,704	225,324	195,241	213,996	234,179	-1%	-2%	-4%
growth	8.0%	8.2%	7.4%	8.8%	9.6%	9.4%			
EBITDA	34,476	37,933	41,624	35,725	39,960	44,501	-3%	-5%	-6%
growth	8.2%	10.0%	9.7%	12.1%	11.9%	11.4%			
EBITDA margin	17.8%	18.1%	18.5%	18.3%	18.7%	19.0%			
Adj PAT	24,208	26,971	29,591	25,077	28,357	31,662	-3%	-5%	-7%
growth	9.9%	11.4%	9.7%	13.8%	13.1%	11.7%			
EPS	100.5	112.0	122.8	103.9	117.8	131.7	-3%	-5%	-7%

Source: Company, Emkay Research

Exhibit 20: Assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Standalone revenue growth	12%	4%	12%	9%	16%	4%	6%	8%	8%	8%
International revenue growth	-21%	22%	29%	-9%	18%	10%	40%	12%	12%	12%
Consolidated revenue growth	12%	5%	13%	8%	15%	3%	7%	8%	8%	7%
Biscuits volume growth	10%	2%	10%	3%	1%	2%	5%	4%	5%	5%
Biscuits value growth	12%	3%	12%	9%	15%	2%	5%	8%	7%	7%
Earnings growth	15%	22%	31%	-18%	28%	10%	3%	10%	11%	10%
Gross margin	41%	40%	42%	38%	41%	43%	41%	42%	42%	42%
A&P spends as a % of sales	5	4	4	3	4	4	3	4	4	4
Conversion costs as a % of sales	5	4	4	5	5	5	4	5	5	5
Freight and handling costs as a % of sales	5	5	5	5	4	4	4	4	4	4
EBITDA margin	16%	16%	19%	16%	17%	19%	18%	18%	18%	18%
Adj EPS (Rs)	48.2	59.0	77.4	63.3	80.8	88.9	91.5	100.5	112.0	122.8
DPS (Rs)	15.0	35.0	157.5	69.0	72.0	73.5	75.0	80.0	90.0	100.0
Dividend payout	31%	59%	203%	109%	89%	83%	82%	80%	80%	81%
Balance sheet										
RoE	30%	33%	47%	50%	64%	57%	53%	52%	51%	50%
ROCE	39%	32%	40%	38%	45%	46%	50%	50%	47%	47%
Total debt (Rs bn)	1.4	15.1	20.9	24.7	29.8	20.4	12.2	18.5	18.9	19.3
Capex (Rs bn)	5.1	4.1	1.5	1.9	12.1	4.1	4.4	1.5	2.0	2.0
Investments	14.8	28.9	27.8	17.6	33.2	27.7	28.7	30.0	40.0	43.0
Inventory days	26	24	31	36	27	26	26	25	25	25
Receivable days	13	10	7	9	8	9	9	9	9	9
Payable days	38	36	37	34	33	36	36	36	36	36
Net working capital days	1	-2	1	11	2	-1	-1	-2	-2	-2

Source: Company, Emkay Research

Britannia Industries: Consolidated Financials and Valuations

Profit & Loss					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	167,693	179,427	193,761	209,704	225,324
Revenue growth (%)	2.9	7.0	8.0	8.2	7.4
EBITDA	31,698	31,872	34,476	37,933	41,624
EBITDA growth (%)	12.0	0.5	8.2	10.0	9.7
Depreciation & Amortization	3,005	3,133	3,533	3,933	4,433
EBIT	28,694	28,738	30,943	34,000	37,191
EBIT growth (%)	10.1	0.2	7.7	9.9	9.4
Other operating income	2,231	4,077	3,420	3,997	2,982
Other income	354	943	1,014	1,079	1,145
Financial expense	(148)	60	(403)	(990)	(1,250)
PBT	29,196	29,621	32,359	36,068	39,586
Extraordinary items	(29)	(248)	0	0	0
Taxes	7,793	7,487	8,252	9,197	10,094
Minority interest	56	9	50	50	50
Income from JV/Associates	(32)	(107)	50	50	50
Reported PAT	21,398	21,787	24,208	26,971	29,591
PAT growth (%)	(7.8)	1.8	11.1	11.4	9.7
Adjusted PAT	21,427	22,035	24,208	26,971	29,591
Diluted EPS (Rs)	88.9	91.5	100.5	112.0	122.8
Diluted EPS growth (%)	10.1	2.8	9.9	11.4	9.7
DPS (Rs)	73.5	75.0	80.0	90.0	100.0
Dividend payout (%)	82.7	82.9	79.6	80.4	81.4
EBITDA margin (%)	18.9	17.8	17.8	18.1	18.5
EBIT margin (%)	17.1	16.0	16.0	16.2	16.5
Effective tax rate (%)	26.7	25.3	25.5	25.5	25.5
NOPLAT (pre-IndAS)	21,035	21,474	23,052	25,330	27,707
Shares outstanding (mn)	241	241	241	241	241

Source: Company, Emkay Research

Cash flows					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	28,809	28,571	31,396	35,040	38,491
Others (non-cash items)	(256)	(826)	100	100	100
Taxes paid	(7,649)	(6,892)	(8,252)	(9,197)	(10,094)
Change in NWC	4,271	4,003	1,415	533	571
Operating cash flow	25,730	24,807	27,739	29,369	32,201
Capital expenditure	(4,989)	(3,477)	(1,608)	(2,500)	(2,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	(85)	186	1,014	1,079	1,145
Investing cash flow	4,755	844	(440)	(9,322)	(1,355)
Equity raised/(repaid)	-	0	0	0	0
Debt raised/(repaid)	(9,393)	(8,164)	6,281	355	391
Payment of lease liabilities	0	0	0	0	0
Interest paid	148	(60)	403	990	1,250
Dividend paid (incl tax)	(17,325)	(17,675)	(18,068)	(20,477)	(22,886)
Others	(1,735)	(1,719)	(1,550)	(2,150)	(2,550)
Financing cash flow	(28,305)	(27,619)	(12,934)	(21,281)	(23,795)
Net chg in Cash	2,180	(1,969)	14,366	(1,234)	7,051
OCF	25,730	24,807	27,739	29,369	32,201
Adj. OCF (w/o NWC chg.)	21,459	20,804	26,324	28,836	31,630
FCFF	20,740	21,330	26,131	26,869	30,201
FCFE	19,015	20,128	26,048	26,837	30,096
OCF/EBITDA (%)	81.2	77.8	80.5	77.4	77.4
FCFE/PAT (%)	88.9	92.4	107.6	99.5	101.7
FCFF/NOPLAT (%)	98.6	99.3	113.4	106.1	109.0

Source: Company, Emkay Research

Balance Sheet					
Y/E March (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	241	241	241	241	241
Reserves & Surplus	39,174	43,316	49,456	55,951	62,657
Net worth	39,415	43,557	49,697	56,192	62,898
Minority interests	245	256	206	156	106
Non-current liab. & prov.	(418)	(348)	(348)	(348)	(348)
Total debt	20,412	12,248	18,528	18,884	19,275
Total liabilities & equity	59,654	55,713	68,084	74,884	81,931
Net tangible fixed assets	26,413	27,710	25,677	23,743	21,310
Net intangible assets	-	-	-	-	-
Net ROU assets	-	-	-	-	-
Capital WIP	1,875	892	1,000	1,500	1,500
Goodwill	1,298	1,328	1,328	1,328	1,328
Investments [JV/Associates]	-	-	-	-	-
Cash & equivalents	32,131	31,779	47,490	56,257	66,308
Current assets (ex-cash)	28,579	26,311	28,136	30,607	33,302
Current Liab. & Prov.	30,643	32,307	35,547	38,552	41,817
NWC (ex-cash)	(2,063)	(5,996)	(7,411)	(7,944)	(8,515)
Total assets	59,654	55,713	68,084	74,884	81,931
Net debt	(11,719)	(19,531)	(28,962)	(37,373)	(47,033)
Capital employed	59,654	55,713	68,084	74,884	81,931
Invested capital	25,648	23,042	19,593	17,127	14,123
BVPS (Rs)	163.6	180.8	206.3	233.3	261.1
Net Debt/Equity (x)	(0.3)	(0.4)	(0.6)	(0.7)	(0.7)
Net Debt/EBITDA (x)	(0.4)	(0.6)	(0.8)	(1.0)	(1.1)
Interest coverage (x)	(196.9)	494.7	(79.2)	(35.4)	(30.7)
RoCE (%)	46.3	51.1	51.3	48.8	48.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E March	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	60.8	59.7	51.1	47.5	43.4
EV/CE(x)	22.4	24.0	19.7	17.9	16.4
P/B (x)	33.0	29.9	25.5	22.5	20.0
EV/Sales (x)	8.1	7.7	7.1	6.5	6.1
EV/EBITDA (x)	42.5	42.2	39.0	35.5	32.3
EV/EBIT(x)	46.9	46.8	43.5	39.6	36.2
EV/IC (x)	52.5	58.4	68.7	78.6	95.3
FCFF yield (%)	1.5	1.6	1.9	2.0	2.2
FCFE yield (%)	1.5	1.5	1.9	2.1	2.3
Dividend yield (%)	1.4	1.4	1.6	1.8	1.9
DuPont-RoE split					
Net profit margin (%)	12.8	12.3	12.5	12.9	13.1
Total asset turnover (x)	2.7	3.1	3.1	2.9	2.9
Assets/Equity (x)	1.7	1.4	1.3	1.4	1.3
RoE (%)	57.3	53.1	51.9	50.9	49.7
DuPont-RoIC					
NOPLAT margin (%)	12.5	12.0	11.9	12.1	12.3
IC turnover (x)	6.2	7.4	9.1	11.4	14.4
RoIC (%)	77.5	88.2	108.1	138.0	177.3
Operating metrics					
Core NWC days	(4.5)	(12.2)	(14.0)	(13.8)	(13.8)
Total NWC days	(4.5)	(12.2)	(14.0)	(13.8)	(13.8)
Fixed asset turnover	3.8	3.7	3.8	4.0	4.1
Opex-to-revenue (%)	24.5	23.1	23.8	23.8	23.8

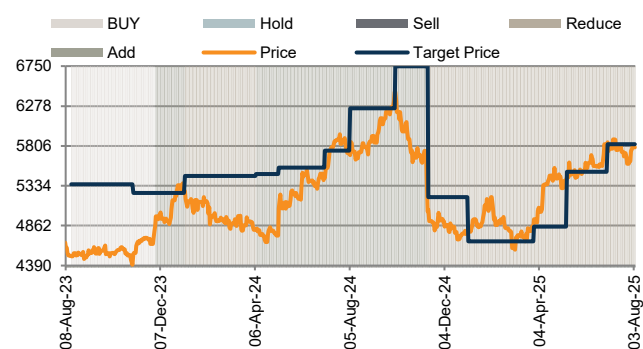
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
30-Jun-25	5,851	5,825	Reduce	Nitin Gupta
24-Jun-25	5,617	5,500	Reduce	Nitin Gupta
12-May-25	5,609	5,500	Reduce	Nitin Gupta
09-May-25	5,436	5,500	Reduce	Nitin Gupta
24-Apr-25	5,462	4,850	Reduce	Nitin Gupta
28-Mar-25	4,937	4,850	Reduce	Nitin Gupta
17-Mar-25	4,675	4,675	Reduce	Nitin Gupta
26-Feb-25	4,798	4,675	Reduce	Nitin Gupta
18-Feb-25	4,891	4,675	Reduce	Nitin Gupta
07-Feb-25	4,871	4,675	Reduce	Nitin Gupta
02-Feb-25	5,201	4,675	Reduce	Nitin Gupta
03-Jan-25	4,834	4,675	Reduce	Nitin Gupta
13-Nov-24	5,047	5,200	Reduce	Nitin Gupta
02-Oct-24	6,446	6,750	Add	Nitin Gupta
24-Sep-24	6,203	6,250	Add	Nitin Gupta
05-Aug-24	5,698	6,250	Add	Nitin Gupta
04-Jul-24	5,426	5,750	Add	Nitin Gupta
26-Jun-24	5,422	5,550	Add	Nitin Gupta
04-Jun-24	5,325	5,550	Add	Nitin Gupta
13-May-24	5,131	5,550	Add	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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