Leveraged Buyout Model

Target: Britannia Industries Ltd. (NSE: BRITANNIA)
Sector: FMCG – Packaged Foods
Geography: India
Date: FY2024 Model Basis

Assumptions

Company Data	**Cr**
Share price	4,800
Shares outstanding	24
Market cap	1,15,700
Exesting net debt	(2,780)
Enterprise value	1,15,420
Current EBITDA	3,020
EV/EBITDA multiple	38x
Tax rate	25.17%
Working Cap as % of sales	1.1%

Debrt Facilities	
	EBITDA Multiple
Term A	2x
Term B	3x
	Interest rate
Term A	9%
Term B	11%
Term A repayment (yearly)	604

Maximum amount of debt	
Term A	6,040
Term B	9,060
Total debt	**15,100**
Acquisition premium	25%
Equity value with premium	1,44,625
Enterprice value at acquisition	1,41,845
Equity needed	**1,26,745**

Income Statement Calculation	**2024A**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**
Revenues	17,438	19,182	21,100	23,210	25,531	28,084
COGS	11,335	12,469	13,715	15,087	16,596	18,255
Gross Profit	6,103	6,713	7,385	8,123	8,935	9,829
Operating Expenses	3,082	3,390	3,729	4,102	4,512	4,964
EBITDA	3,021	3,323	3,655	4,021	4,423	4,865
D&A	310	320	320	320	320	320
EBIT	2,711	3,003	3,335	3,701	4,103	4,545
Interest Expenses	63	544	489	435	381	326
EBT	2,648	2,460	2,846	3,266	3,723	4,219
Taxes	668	619	716	822	937	1,062
Net Income	**1,980**	**1,840**	**2,130**	**2,444**	**2,786**	**3,157**

KPIs						
Revenues growth%		10%	10%	10%	10%	10%
COGS%	65%	65%	65%	65%	65%	65%
Opex%	18%	18%	18%	18%	18%	18%
EBITDA%	17%	17%	17%	17%	17%	17%
Depreciation	310	320	320	320	320	320

Cash Flow Calculation						
Net Income	1,980	1,840	2,130	2,444	2,786	3,157
Add-back D&A	310	320	320	320	320	320
Change in Working Capital	(192)	(211)	(232)	(255)	(281)	(309)
CAPEX	(310)	(320)	(320)	(320)	(320)	(320)
Cash available for reimbursement	**1,788**	**1,629**	**1,898**	**2,189**	**2,505**	**2,848**

Debt Structure						
Term A outstanding		6,040	5,436	4,832	4,228	3,624
Term B outstanding		0	0	0	0	0
Interest Amount:						
Term A		544	489	435	381	326
Term B		0	0	0	0	0
Repayments:						
Term A		(604)	(604)	(604)	(604)	(604)
Term B		(1,025)	(1,294)	(1,585)	(1,901)	(2,244)
Outstanding at the end of 2029						
Term A	3,020					
Tern B	9,060					
Implied Enterprise value at exit	1,85,947					
Net Debt at exit	12080					
Implied value at exit	1,98,027					
Investors Cash Flows	(1,26,745)	0	0	0	0	1,98,027
IRR	**9%**					
Cash-onCash Ratio	1.6x					

Sensitivity Analysis

		EV/EBITDA multiple				
		35.0x	36.5x	38.0x	39.5x	41.0x
Revenues growth%	8%	7%	8%	9%	10%	10%
	9%	7%	8%	9%	10%	11%
	10%	8%	8%	9%	10%	11%
	11%	8%	9%	9%	10%	11%
	12%	8%	9%	10%	10%	11%

Leveraged Buyout Summary

Target: Britannia Industries Ltd. (NSE: BRITANNIA)
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Transaction Overview

Acquisition Equity Value (incl. 25% premium): **₹1,44,625 Cr**
Net Cash Position: **–₹2,780 Cr**
Enterprise Value at Entry: **₹1,41,845 Cr**
Equity Required: **₹1,26,745 Cr**

• The company's asset-light model restricts leverage, requiring the sponsor to contribute nearly **90% equity**.

Financing Structure

A total of **₹15,100 Cr** in debt is raised:

Term Loan A - ₹6,040 Cr - 9% interest, annual amortization of ₹604 Cr
Term Loan B - ₹9,060 Cr - 11% interest, bullet repayment at exit

• The capital structure results in **entry leverage of 5× EBITDA**, reasonable for an FMCG business.

Operating Forecast

The model projects stable performance with:

Revenue growth: **10%** annually
COGS: **65%** of sales
Operating expenses: **18%** of sales
EBITDA margin: **17%**
CapEx: **₹320 C**r per year
Tax rate: **25.17%**
Working capital investment: **1.1%** of sales

• EBITDA grows from **₹3,020 Cr → ₹4,865 Cr** over the projection period.

Leverage & Cash Flow

• Britannia generates strong cash flow with cumulative **₹12,458 Cr** available for debt repayment over five years.

Term A is amortized from **6,040 Cr → 3,020 Cr**
Term B remains fully outstanding until exit (bullet loan)
Net Debt at exit: **₹12,080 Cr**

• The conservative leverage and predictable cash flows support steady deleveraging.

Exit Analysis

Using a **38× EBITDA exit multiple**, the model derives:

Exit Enterprise Value: **₹1,85,947 Cr**
Equity Value at Exit: **₹1,98,027 Cr**

• This reflects Britannia's premium valuation and robust consumer franchise.

Investor Returns

IRR: 9%
Cash-on-Cash Multiple: 1.6×

• While the business is highly stable, the combination of **high entry valuation**, **limited debt capacity**, and **modest margin expansion potential** results in **sub-par PE returns** relative to typical 18–25% targets.

Conclusion

The LBO analysis shows that Britannia is a strong, stable FMCG business with predictable cash flows, but its high valuation and limited leverage capacity restrict returns. Despite healthy EBITDA growth and consistent cash generation, the deal delivers only a **9% IRR** and a **1.6× cash-on-cash return**, which are below typical private-equity targets. Overall, Britannia is an excellent long-term strategic asset, but **not an ideal candidate for a high-return leveraged buyout**.