

**Price:** 5,386

**Recommendation:** Buy

**Industry:** Packaged Foods

**Sector:** Fast Moving Consumer Goods

**Report Date:** 21-Apr-2025

Britannia Industries is strategically navigating inflation by implementing a 6-6.5% price increase and a 2.5% cost reduction. Expanding its distribution network and leveraging e-commerce, the company is diversifying beyond biscuits into croissants and milkshakes. With a focus on product differentiation and brand-building, Britannia aims for sustainable growth, maintaining market share and profitability while enhancing its ESG efforts.

Sales		Profit & Loss		Profitability Matrix	
Current Year	16938 Cr	Operating Profit(Year)	3055 Cr	Operating Profit Margin	18.0 %
Previous Year	15618 Cr	Operating Profit(Quarter)	810 Cr	EBITDA Margin	19.36 %
Current Quarter	4418 Cr	PAT (Year)	2084 Cr	Net Profit Margin	12.9 %
Previous Quarter	4501 Cr	PAT (Quarter)	557 Cr	EPS	87.3
Revenue (QYoY)	4102 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	61.2	Sales Growth	4.83 %	Sales Growth	-1.84 %
PEG Ratio	4.64	PAT Growth	5.89 %	Sales Growth QYoY	7.7 %
EV/EBITDA	40.2	EPS Growth	1.04 %	PAT Growth	8.16 %
P/B	46.7	Dividend Yield	1.34	PAT Growth QYoY	3.15 %
Capital Allocation		Holdings		Leverage	
RoE	62.1 %	Promoter	50.6 %	Debt/Equity	0.98
RoA	24.5 %	FII	16.5 %	Debt	2723 Cr
RoCE	52.7 %	DII	17.6 %	Market Cap	129734 Cr
RoIC	87.4 %	Public	15.4 %	Enterprise value	132370 Cr
		No of Shares	24.1 Cr	Cash Equivalents	87.4 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent meeting, Britannia Industries outlined several strategic initiatives aimed at navigating the challenging inflationary environment and driving growth. The company is implementing a cumulative price increase of 6% to 6.5% to counteract the 11% inflation in commodities, with a focus on maintaining profitability. This strategy is complemented by a robust cost-efficiency program targeting a 2.5% reduction in costs, which has been a consistent focus for the company. Britannia is also expanding its direct distribution network, increasing outlets from 27.9 lakh to 28.8 lakh, and rural distributors from 30,000 to 31,000, which are seen as key growth engines. The company is leveraging data-driven consumer insights to enhance its e-commerce capabilities, which is a rapidly growing segment.

Britannia is actively diversifying its product portfolio beyond biscuits, with significant growth in adjacencies like croissants and milkshakes, both expected to cross INR 200 crores in revenue. The company is cautious about entering new categories, preferring to develop existing ones to ensure sustainable growth. Innovations such as the Harry Potter-themed Pure Magic Choco Frames and the Winkin' Cow Grow fortified milk are examples of Britannia's focus on product differentiation and premiumization. The company is also investing in brand-building through high-impact social media campaigns and tactical consumer promotions, which have strengthened consumer connections.

Looking ahead, Britannia is optimistic about its growth prospects, despite the inflationary pressures. The company is committed to sustaining its market share and profitability by being dynamic in its pricing strategies and vigilant about competitive pricing. The focus on cost leadership and strategic investments in brand and distribution are expected to drive future growth. Britannia's international business continues to perform well, and the company is hopeful that this trend will persist. The company is also recognized for its ESG efforts, achieving milestones in plastic neutrality and energy efficiency, which are integral to its long-term sustainability strategy.

While the company has effectively managed inflationary challenges, there are areas for improvement. The impact of price increases on volume growth needs careful monitoring to avoid potential declines in market share. Additionally, while the diversification strategy is promising, the company must ensure that new product launches are well-researched and strategically timed to avoid market saturation. Overall, Britannia's strategic initiatives and focus on innovation and efficiency position it well for future growth, but continued vigilance and adaptability will be crucial in maintaining its competitive edge.

BRITANNIA Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
<b>Swojas Foods</b>	55.38	24.40	1.13%	360.66%		644.44%	6600.00%
<b>Nestle India</b>	232043.67	73.99	135.33%	-6.35%	3.90%	-9.32%	-5.28%
<b>Britannia Inds.</b>	129734.09	61.17	62.12%	-1.84%	7.70%	8.28%	3.08%

Aspect	Commentary
<b>Revenue</b>	The company shows a moderate revenue increase, with current year sales at 16938 Cr, up from 15618 Cr last year. However, quarterly sales decreased slightly from 4501 Cr to 4418 Cr, indicating potential seasonal or market fluctuations. The year-over-year growth of 4102 Cr suggests a positive trend in annual revenue generation.
<b>Profit &amp; Loss</b>	Operating profit for the year stands at 3055 Cr, with a quarterly figure of 810 Cr. The PAT for the year is 2084 Cr, and 557 Cr for the quarter, reflecting stable profitability. The figures indicate effective cost management and revenue generation, maintaining a healthy profit margin despite market challenges.
<b>Profitability Matrix</b>	The company maintains strong profitability with an operating profit margin of 18.0% and an EBITDA margin of 19.36%. The net profit margin is 12.9%, and EPS is 87.3, indicating efficient operations and shareholder value creation. These metrics highlight robust financial health and operational efficiency.
<b>Valuation Matrix</b>	The valuation metrics show a trailing P/E of 61.2, PEG ratio of 4.64, and EV/EBITDA of 40.2, suggesting high market expectations. The P/B ratio of 46.7 indicates a premium valuation, reflecting investor confidence in the company's growth prospects and financial stability.
<b>Growth (YoY)</b>	Year-over-year growth metrics show a sales increase of 4.83%, PAT growth of 5.89%, and EPS growth of 1.04%. The dividend yield is 1.34, indicating consistent shareholder returns. These figures suggest steady growth and effective management strategies in a competitive market.
<b>Growth (QoQ)</b>	Quarter-over-quarter growth shows a sales decline of 1.84%, but a QYoY sales growth of 7.7%. PAT growth is 8.16% with a QYoY increase of 3.15%, indicating resilience in profitability despite short-term sales fluctuations. This reflects adaptive strategies to maintain earnings.
<b>Capital Allocation</b>	The company demonstrates strong capital allocation with RoE at 62.1%, RoA at 24.5%, RoCE at 52.7%, and RoIC at 87.4%. These figures indicate efficient use of capital to generate returns, highlighting strategic investments and operational excellence in capital management.
<b>Holdings</b>	Promoter holdings are at 50.6%, with FII at 16.5%, DII at 17.6%, and public at 15.4%. The number of shares is 24.1 Cr, reflecting a balanced ownership structure. This distribution suggests confidence from institutional investors and a stable shareholder base, supporting long-term growth.
<b>Leverage</b>	The debt/equity ratio is 0.98, with total debt at 2723 Cr. The market cap is 129734 Cr, and enterprise value is 132370 Cr, with cash equivalents of 87.4 Cr. These figures indicate manageable leverage levels, supporting financial flexibility and potential for strategic investments.

**Analyst viewpoint:** Britannia Industries demonstrates solid potential for short to mid-term growth, driven by its strategic initiatives and robust financial metrics. Despite a slight QoQ decline of 1.84% in sales, the company boasts a healthy 7.7% growth YoY, reflecting resilience in market dynamics. The profit after tax shows a commendable QoQ growth of 8.16%, highlighting effective cost management in a challenging fiscal environment. Britannia's valuation metrics like a trailing P/E of 61.2 and a premium P/B ratio of 46.7, underscore strong investor confidence. Capital allocation metrics such as RoE at 62.1% and RoIC at 87.4% reflect optimal resource utilization. The company's ongoing expansion into adjacencies such as croissants and milkshakes indicates promising diversification strategies, while its investment in strengthening e-commerce capabilities positions it well against competitors.

Moreover, Britannia's adaptive pricing strategies and focus on cost leadership amidst rising commodity prices further underscore its ability to sustain market performance. The company is leveraging brand-building through targeted social media campaigns and product differentiation. Britannia's proactive adjustments in its distribution network, coupled with its careful attention to cost reductions, create a formidable framework for growth. While its aggressive price increases warrant observation to guard against potential market share erosion, Britannia's vigilance and strategic investments forecast a positive trajectory, sustaining its competitive edge in the fast-paced FMCG sector.

Please read detailed disclosure on next page.

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BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
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NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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