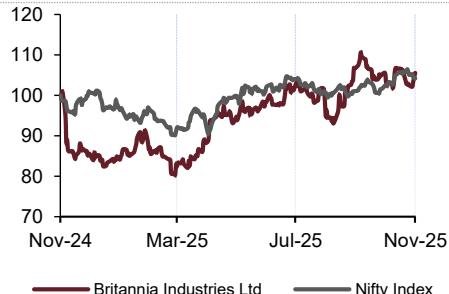


- Britannia Q2FY26 results were better than expectations on EBIDTA and PAT as EBIDTA margins jump back to 19% +.**
- Revenue from operations increased by 4% YoY impacted by GST transition, normalized growth would have been 6%+.**
- EBIDTA at absolute levels improved by 22% YoY to Rs 9545mn, and margins improved to 19.7% as against 16.8% YoY.**
- Improvement in EBIDTA margins was on account, of 20bps improvement in gross margins, decline in employee cost by 41% due to lower provisioning and other expenses as percentage to revenue dropping by 150bps**
- Gross margins was aided by benign commodity costs scenario**
- No major one-offs in other expenses hence the improvement would continue going forward.**
- PAT for Q2FY26 improved by 23% YoY to Rs 6544.7mn.**

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	6,650	8
Market data		
Current price	Rs	6,135
Market Cap (Rs.Bn)	(Rs Bn)	1,448
Market Cap (US\$ Mn)	(US\$ Mn)	16,337
Face Value	Rs	1
52 Weeks High/Low	Rs	6336.95 / 4506
Average Daily Volume	(000)	369
BSE Code		500825
Bloomberg		BRIT.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-25	Jun-24
Promoters	50.55	50.55
Public	49.45	49.45
Others		
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY23	FY24	FY25	FY26E	FY27E
Net sales	163,005	167,693	179,427	193,800	211,085
EBIDTA	28,309	31,698	31,872	35,334	39,006
Margins	17.4	18.9	17.8	18.2	18.5
PAT (adj)	19,628	21,419	21,972	23,615	26,937
growth (%)	28.7	9.1	2.6	7.5	14.1
EPS	81	89	91	98	112
P/E (x)	75.3	69.0	67.3	62.6	54.9
P/B (x)	41.8	37.5	33.9	30.1	25.5
EV/EBITDA (x)	52.1	46.4	45.8	41.8	37.7
RoE (%)	55.5	54.3	50.4	48.1	46.5
ROCE (%)	39.8	47.8	51.3	44.9	46.5

Source: Dalal and Broacha

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- **Temporary Business Impact from GST Rationalization**

The government's GST rate rationalization (GST 2.0) effective from 22nd September 2025 affected approximately 85% of Britannia's portfolio, causing temporary supply chain disruptions and trade channel adjustments leading to a 2-2.5% estimated impact on sales in the quarter. Management expects normalization in the coming quarter and sees GST rationalization as beneficial long-term, reducing the tax compliance advantage of smaller regional players and promoting growth for organized market leaders like Britannia.

- **Market Dynamics and Competitive Position**

Britannia maintains a healthy market share lead over large national players but faces growing competition from small regional and local players who thrive on pricing strategies. The GST rate cut to 5% weakens the tax arbitrage advantage of non-compliant regional players, enabling Britannia to strengthen its competitive positioning through scale, efficiency, and brand investments. The company is focused on regional consumer-centric products, distribution expansion, and maintaining price competitiveness across geographies.

- **Product Innovation and Diversification**

Strong growth was reported in adjacency bakery categories including rusks, wafers, and croissants, which delivered consecutive double-digit growths driven by momentum in e-commerce and in-home consumption trends. Key product launches such as Pure Magic (Choco Tarts, Stars), NutriChoice millet cookies, Tiger Doodh Glucose (relaunch), and Chunkies continue to support category growth. The international business, notably the Kenya JV, is progressing well. Cheese segment showed sequential market share gains despite some softness in overall demand.

- **Positive Commodity and Cost Environment**

Commodity prices were stable with minor inflation in flour (+2% QoQ), sugar (+1%), and cocoa (+5%) and a decline in palm oil prices sequentially, supporting margin expansion. The company improved renewable energy usage to 13% and reduced water consumption as part of its sustainability commitments. Employee costs decreased largely due to a lower provision compared to the previous year.

Conference Call & other KTA's

• Outlook

- Get to double digit topline growth with positive revenue and volume growth
- Margin structure on overall business, will be evaluated based on how aggressive management wants to be on growth

• GST impact (biscuits reduced from 18% to 5%)

- Steps taken to pass-on benefit grammage increase in smaller packs | price reduction in larger packs
- Mid Nov 2025 entire transition will be complete
- *Concern* some state incentives might be reduced post these benefits but the company is still evaluating how much can be mitigated internally as well

• DAIRY

- Performance of the business segment below, expectations
- Gen-trade doing well
- Cheese market has slowed | Britannia does not want to push product with discounts in modern trade
- Protein drinks being evaluated as a product

• COMMODITY

- Favorable situation overall rise +2% QoQ and 6% YoY, which is in the expected range

• EMPLOYEE COST (lower by 22% YoY)

- Provision in Q2FY25 was @ Rs 500mn v/s Rs 50mn current year

• FINANCIALS KTA's

- Q2FY26 pricing growth was ~7-8%
- 65% of portfolio @ Rs 5/- and Rs 10/- price points
- General trade remains the most profitable channel
- Ad-spends have normalized
- Other expenses had no outlier in Q2FY26 was down 150bps apart from some variable component.
- Data point Biscuit market: 70% top 3 players, 10-12% larger regional players, 15-18% small regional/un-organised players

Quarterly Financials

Particulars (Rs Mn)					
Consolidated	Q2FY26	Q2FY25	Growth	Q1FY26	Growth
Net Sales	47521.7	45662.3	4%	45348.6	5%
Other Op Income	884.6	1013.4	-13%	873.6	1%
Total Op Income	48406.3	46675.7	4%	46222.2	5%
Add: O. Income	521.1	460	13%	570.1	-9%
TOTAL INCOME	48927.4	47135.7	4%	46792.3	5%
RAW MATERIAL	-28229	-27294.4	3%	-27591	2%
Employee Cost	-1360.8	-2322.8	-41%	-2418.6	-44%
O. Exps	-8821.3	-9224.4	-4%	-8642.1	2%
EBIDTA	9545.2	7834.1	22%	7570.5	26%
			0		
Less Int	-346.8	-346.4	0%	-261.5	33%
Less Depn	-850.5	-760.7	12%	-820.4	4%
Less Exceptional	0	-1.5		0	
PBT Before Exceptional	8869.0	7187.0	23%	7058.7	26%
Share pft or Loss from Associates	-32.8	-34	-4%	-48.5	-32%
			0		
Less Tax	-2285.6	-1836	24%	-1808.9	26%
PAT	6550.6	5315.5	23%	5201.3	26%
Owners Pat	6544.7	5314.5	23%	5207.2	26%
Non Controlling	5.9	1	490%	-5.9	-200%
Adjusted Owners PAT	6544.7	5316.0	23%	5207.2	26%
<i>Tax Rate</i>	<i>-25.8%</i>	<i>-25.5%</i>		<i>-25.6%</i>	
Raw Mat to OP Inc	-58.3%	-58.5%	0.2%	-59.7%	1.4%
Emp Cost to Op Inc	-3.7%	-5.0%		-5.2%	
O.Exps to Op Inc	-18.2%	-19.8%		-18.7%	
OPM	19.7%	16.8%		16.4%	
NPM	13.4%	11.3%		11.1%	

Source: Dalal & Broacha Research, Company

Valuation

Britannia Industries delivered a strong Q2FY26 performance characterized by robust profit growth and operational resilience despite temporary GST transition challenges.

Stable commodity prices, disciplined cost management, and strategic product and market initiatives fueled a 23% rise in net profit and expansion in margins.

The company's focus on volume-led growth, regional consumer-centric strategies, and brand investments, combined with enhanced distribution and competitive pricing, positions Britannia well to sustain market leadership and achieve sustainable double-digit growth over the medium term.

At CMP of Rs 6,135 the stock trades at 63x FY26e EPS of Rs 98 and 55x FY27e EPS of Rs 111.8. We recommend **BUY ON DIPS** with a target price of Rs 6,650 (60x FY27e).

P&L (Rs mn)	Financials				
	FY23	FY24	FY25	FY26E	FY27E
Net Operating Income	163,005.5	167,692.7	179,426.7	193,799.5	211,085.3
Raw materials	(95,913.0)	(94,920.3)	(106,040.5)	(113,339.5)	(123,484.9)
Employee costs	(6,583.8)	(7,087.0)	(7,045.9)	(8,458.0)	(9,134.6)
Other Expenses	(32,199.6)	(33,987.0)	(34,468.8)	(36,667.7)	(39,459.7)
Cost of sales	(134,696.4)	(135,994.3)	(147,555.2)	(158,465.2)	(172,079.3)
Operating Profit	28,309.1	31,698.4	31,871.5	35,334.3	39,006.0
Depreciation	(2,259.1)	(3,004.6)	(3,133.4)	(3,403.7)	(3,674.0)
PBIT	26,050.0	28,693.8	28,738.1	31,930.6	35,332.0
Other income	2,158.6	2,141.8	2,270.9	2,013.9	2,417.2
Interest	(1,691.0)	(1,640.0)	(1,388.0)	(2,239.9)	(1,597.4)
Profit before tax	26,517.6	29,195.6	29,621.0	31,704.6	36,151.8
Extraordinary Items / Exceptional	3,756.0	(29.0)	(248.0)	-	-
Profit before tax (post Excep)	30,273.6	29,166.6	29,373.0	31,704.6	36,151.8
Provision for tax	(7,164.5)	(7,792.5)	(7,487.1)	(7,980.0)	(9,099.4)
Reported PAT	23,109.1	21,374.1	21,885.9	23,724.6	27,052.4
Share of Pft and Loss of Associates					
and Minority Int	108.6	24.0	(98.7)	(109.4)	(115.3)
Adjusted PAT	19,627.7	21,419.4	21,971.9	23,615.1	26,937.1

Balance Sheet	FY23	FY24	FY25	FY26E	FY27E
Equity capital	240.9	240.9	240.9	240.9	240.9
Reserves	35,101.8	39,174.3	43,316.3	48,863.9	57,733.5
Net worth	35,342.7	39,415.2	43,557.2	49,104.8	57,974.4
Def. Tax Liab.+Minori	302.3	245.0	256.0	264.7	273.4
Secured loans	15,518.0	9,047.2	7,129.4	6,169.8	4,169.8
Unsecured loans	14,287.1	11,364.9	5,118.3	15,579.1	13,579.1
Total debt	29,805.1	20,412.1	12,247.7	21,748.9	17,748.9
CAPITAL EMPLOYED	65,450.1	60,072.3	56,060.9	71,118.4	75,996.7
Gross block	38,076.4	41,948.8	46,365.0	50,365.0	54,365.0
Accumulated depreci	(12,805.8)	(15,810.4)	(18,943.8)	(22,347.5)	(26,021.6)
Net block	25,270.6	26,138.4	27,421.2	28,017.5	28,343.4
Capital WIP	1,050.0	1,875.4	892.0	892.0	892.0
Total fixed assets	26,320.6	28,013.8	28,313.2	28,909.5	29,235.4
Goodwill	1,281.6	1,298.2	1,327.8	1,374.3	1,374.3
Investments	33,242.4	27,942.0	28,943.3	23,218.2	23,218.2
Inventories	11,932.6	11,812.2	12,365.1	18,583.5	20,241.1
Sundry debtors	3,289.4	3,933.3	4,486.1	5,309.6	5,783.2
Cash & bank	1,979.8	4,463.5	3,124.8	15,422.6	18,805.4
Loans & advances	7,100.0	4,600.0	750.0	750.0	750.0
Other current assets	7,808.3	8,233.8	8,709.3	10,503.2	11,553.5
Sundry creditors	(14,488.1)	(16,274.8)	(17,522.3)	(17,078.6)	(18,607.3)
O. Current Liabilities	(8,180.0)	(8,470.3)	(8,412.0)	(9,662.9)	(10,146.0)
Provisions	(5,390.3)	(5,897.6)	(6,372.3)	(6,671.5)	(6,671.5)
Working capital	4,051.7	2,400.1	(2,871.3)	17,155.9	21,708.2
Deferred Tax Assets	553.8	418.2	347.9	460.5	460.5
Miscellaneous exp.	-	-	-	-	-
CAPITAL DEPLOYED	65,450.1	60,072.3	56,060.9	71,118.4	75,996.7
Current Assets	30,130.3	28,579.3	26,310.5	35,146.3	38,327.7
Current Liabilities	28,058.4	30,642.7	32,306.6	33,413.0	35,424.9

Cash Flow St. (Rs. mn)	FY23	FY24	FY25	FY26E	FY27E
Net Profit	23,217.7	21,398.1	21,787.2	23,615.1	26,937.1
Add: Dep. & Amort.	2,259.1	3,004.6	3,133.4	3,403.7	3,674.0
Cash profits	25,476.8	24,402.7	24,920.6	27,018.8	30,611.1
(Inc)/Dec in					
-Sundry debtors	29.9	(643.9)	(552.8)	(823.5)	(473.6)
-Inventories	1,742.3	120.4	(552.9)	(6,218.4)	(1,657.5)
-Loans/advances	374.5	2,074.5	3,374.5	(1,793.9)	(1,050.3)
-Sundry creditors	1,635.9	1,786.7	1,247.5	(443.7)	1,528.8
-Others	1,786.7	797.6	416.4	1,550.1	483.1
Change in working capita	5,569.3	4,135.3	3,932.7	(7,729.4)	(1,169.5)
CF from Oper. activities	31,046.1	28,538.0	28,853.3	19,289.4	29,441.6
CF from Inv. activities	(22,591.1)	586.0	(4,463.7)	1,678.6	(4,000.0)
CF from Fin. activities	(8,324.2)	(26,640.3)	(25,728.3)	(8,670.2)	(22,058.8)
Cash generated/(utilised)	130.8	2,483.7	(1,338.7)	12,297.8	3,382.8
Cash at start of the year	1,849.0	1,979.8	4,463.5	3,124.8	15,422.6
Cash at end of the year	1,979.8	4,463.5	3,124.8	15,422.6	18,805.4

Source: Dalal & Broacha Research, Company

Ratios	FY23	FY24	FY25	FY26E	FY27E
OPM	17.4	18.9	17.8	18.2	18.5
NPM	11.9	12.6	12.1	12.1	12.6
Tax rate	(23.7)	(26.7)	(25.5)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	15.3	2.9	7.0	8.0	8.9
Operating Profit	28.6	12.0	0.5	10.9	10.4
PAT	28.7	9.1	2.6	7.5	14.1
Per Share (Rs.)					
Net Earnings (EPS)	81.5	88.9	91.2	98.0	111.8
Cash Earnings (CPS)	106	101	103	112	127
Dividend	56.5	72.0	73.5	75.0	75.0
Book Value	146.7	163.6	180.8	203.8	240.7
Free Cash Flow	35.10	120.90	101.24	87.04	105.61
Valuation Ratios					
P/E(x)	75.3	69.0	67.3	62.6	54.9
P/B(x)	41.8	37.5	33.9	30.1	25.5
EV/EBIDTA(x)	52.1	46.4	45.8	41.8	37.7
Div. Yield(%)	0.9	1.2	1.2	1.2	1.2
FCF Yield(%)	0.6	2.0	1.7	1.4	1.7
Return Ratios (%)					
ROE	55.5	54.3	50.4	48.1	46.5
ROCE	39.8	47.8	51.3	44.9	46.5

Source: Dalal & Broacha Research, Company

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