Britannia Industries Ltd.

Q1FY27 Result Update | FMCG

Healthy Growth, Margin Watch

DALAL & BROACHA
STOCK BROKING PVT. LTD.

Equity Research Desk

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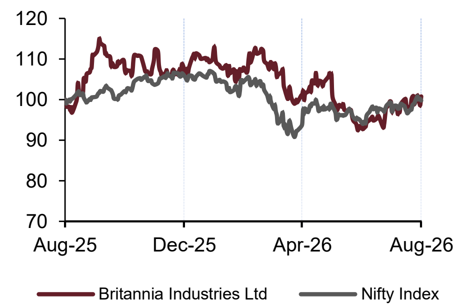
- Net Sales grew 9% YoY to ₹49,643mn, while Total Operating Income grew 8% to ₹49,999mn. Growth was primarily volume-led, with ~9% volume growth and only ~1% pricing growth.
- June exited at mid-teens growth as the dual-pricing issue was fully resolved; management indicated further 1.5–2% pricing through shrinkflation.
- EBITDA increased 11% YoY to ₹8,401mn, ahead of revenue growth; however, it declined 1% QoQ.
- EBITDA margin expanded 40bps YoY to 16.8%, but contracted 130bps QoQ from 18.1%, reflecting sequential cost pressures.
- Raw material cost/Operating Income improved 120bps YoY to 58.5%, despite commodity inflation.
- Employee cost ratio improved 100bps to 4.2%, supporting margins. However, Other expenses increased 180bps YoY to 20.5%, partly reflecting higher operating costs and stepped-up brand investments.
- PAT increased 14% YoY to ₹5,934mn, ahead of EBITDA growth.

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	6,307	14

Market data		
Current price	Rs	5,521
Market Cap (Rs.Bn)	(Rs Bn)	1,330
Market Cap (US$ Mn)	(US$ Mn)	13,965
Face Value	Rs	1
52 Weeks High/Low	Rs	6336.95 / 5035
Average Daily Volume	('000)	408
BSE Code		500825
Bloomberg		BRIT.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Jun-26	Mar-26
Promoters	50.55	50.55
Public	49.45	49.45
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mı	FY25	FY26	FY27E	FY28E
Net sales	179,427	191,516	206,706	225,359
EBIDTA	31,872	35,444	36,231	41,192
Margins	17.8	18.5	17.5	18.3
PAT (adj)	21,972	25,335	25,163	28,783
growth (%)	2.6	15.3	(0.7)	14.4
EPS	91	105	104	119
P/E (x)	60.7	52.6	53.0	46.3
P/B (x)	30.6	26.1	24.5	20.5
EV/EBITDA (x)	41.5	37.1	36.2	31.8
RoE (%)	50.4	49.6	46.2	44.2
ROCE (%)	51.3	49.4	50.9	51.3

Source: Dalal and Broacha

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Conference Call & other KTA's

Outlook

- **Demand outlook remains positive**; June exited at **mid-teens growth** as dual-pricing disruption fully normalized. Management remains confident of sustaining the **volume–value–profitability "virtuous triangle."**
- **Q2 base:** July/August had a normal base, while September FY26 was impacted by GST transition-related market disruption → favorable base in September. International business expected to **return to growth from Q2**, led by new leadership; Africa/Kenya remains strong.
- **Health & wellness platform** under development, including protein-based products. M&A remains **selective**, focused on acquiring capabilities rather than simply adding another cookie brand.

Demand & Revenue

- Q1 **volume +9%**, pricing +1%; management expects another **1.5–2% pricing** through shrinkflation. Consolidated revenue **+9.5% YoY**, with June exiting at **mid-teens growth**.
- **GT recovery strong:** growth now at **1.5x FY26 growth rate**; earlier channel pressures have largely normalized.
- **E-commerce = 6% sales**, with **Q-commerce 80–85%** of e-commerce; Q-commerce growing at healthy double digits, led by larger packs & impulse adjacencies (croissants/rusks) and Gen-Z products (Little Hearts/Jim Jam). **Dual pricing completely resolved by June**, with retailers/wholesalers returning after temporarily shifting to competitors.
- **Key States** (large/profitable markets) are growing well. Eastern India/Bengal growing double digits; Tamil Nadu Milk Bikis localized campaign showing strong traction. Select sub-distributors being converted to direct distributors.

Portfolio / Adjacencies

- **Non-biscuit adjacencies (cakes, rusks, wafers) + double digits.**
- **Crossiants revenue ~₹200cr** (vs earlier ₹100cr reference), growing **>30%**, with accretive margins.
- Dairy grew double digits, led by **ghee & cheese slices**. Treat Triple Choco & Dubai Kunafa growing **>30%**.

Margins / Costs

- Significant cost inflation: LPG currently **1.5x Feb levels** (peaked at 2.5x in Apr/May); palm oil remains a watch-out; sugar **+₹7/kg**; flour stable, milk prices elevated.
- Only part of **inflation mitigated** through pricing/shrinkflation in Q1; further mitigation via procurement efficiency, hedging and packaging/cost optimization.
- **Ad spends being stepped up ahead of sales** to rebuild brand recall/health parameters.

International

- Mixed performance: **Saudi Arabia/Middle East & North America under pressure** due to geopolitical/market-specific issues; **Africa, led by Kenya, performing strongly**. New International Business head joined ~2 months ago.

Other Key Points

- **Phantom stock expense ₹1cr vs ₹52cr YoY**, materially reducing P&L drag.
- **PLI: Nil incentive booked** in Q1FY27 and FY26 as threshold growth criteria not yet met.
- Renewable energy now **16% of plant electricity consumption**.
- **KEY TAKEAWAY:** Strong underlying **9% volume growth + mid-teens June exit**, sharp GT recovery and adjacencies momentum are encouraging. Near-term watch-outs remain **palm oil/sugar/fuel inflation and international weakness**, with pricing + cost efficiencies expected to support margins.

Quarterly Financials

Particulars (Rs Mns) Consolidated	Q1FY27	Q1FY26	Growth	Q4FY26	Growth
Net Sales	49643.7	45348.6	*9%*	46859.5	6%
Other Op Income	356	873.6	*-59%*	329.7	8%
Total Op Income	**49999.7**	**46222.2**	***8%***	**47189.2**	**6%**
Add: O. Income	614.1	570.1	*8%*	554.5	11%
TOTAL INCOME	50613.8	46792.3	*8%*	47743.7	6%
RAW MATERIAL	-29249.5	-27591	*6%*	-27310.6	7%
Employee Cost	-2096	-2418.6	*-13%*	-1861.3	13%
O. Exps	-10253.1	-8642.1	*19%*	-9488.6	8%
EBIDTA	**8401.1**	**7570.5**	***11%***	**8528.7**	**-1%**
				0	
Less Int	-228.7	-261.5	*-13%*	-186.8	22%
Less Depn	-795.1	-820.4	*-3%*	-852.3	-7%
Less Exceptional	0	0		0	
PBT Before Exceptional	**7991.4**	**7058.7**	***13%***	**8044.1**	**-1%**
Share pft or Loss from Associates	-17.9	-48.5	*-63%*	-193	-91%
				0	
Less Tax	-2039.7	-1808.9	*13%*	-1054.3	93%
PAT	5933.8	5201.3	*14%*	6796.8	-13%
Owners Pat	5913.5	5207.2	*14%*	6783.4	-13%
Non Controlling	20.3	-5.9	*-444%*	13.4	51%
Adjusted Owners PAT	**5913.5**	**5207.2**	***14%***	**6783.4**	**-13%**
Tax Rate	*-25.5%*	*-25.6%*		*-13.1%*	
Raw Mat to OP Inc	-58.5%	-59.7%	*1.2%*	-57.9%	-0.6%
Emp Cost to Op Inc	-4.2%	-5.2%		-3.9%	
O.Exps to Op Inc	-20.5%	-18.7%		-20.1%	
OPM	**16.8%**	**16.4%**		**18.1%**	
NPM	**11.7%**	**11.1%**		**14.2%**	

Source: Dalal & Broacha Research, Company

Valuation

Outlook:

Underlying demand remains healthy, with **9% volume growth in Q1 and a mid-teens growth exit in June** as the dual-pricing disruption was fully resolved. Strong GT recovery, double-digit growth across adjacencies and improving distribution provide confidence on the growth trajectory. However, **elevated palm oil, sugar and fuel costs remain key margin headwinds**, with only part of Q1 inflation mitigated through pricing/shrinkflation. We expect further pricing, procurement efficiencies and cost optimisation to support profitability, although commodity volatility remains a near-term watch-out.

Valuation:

At **₹5,533**, the stock trades at **53x FY27E EPS of ₹105 and 47x FY28E EPS of ₹120**. Given the uncertain commodity environment, we have **revised FY28E EPS down 3%**. While near-term margin risks warrant a measured stance, the improving demand trajectory and structural growth in adjacencies remain positive. We maintain **BUY ON DIPS** with a **TP of ₹6,307**, based on **53x FY28E EPS of ₹120**, implying **~14% upside**.

Financials

P&L (Rs mn)	FY25	FY26	FY27E	FY28E
Net Operating Income	179,426.7	191,515.9	206,705.8	225,358.6
Raw materials	(106,040.5)	(111,328.8)	(121,749.7)	(131,609.4)
Employee costs	(7,045.9)	(8,238.0)	(8,897.0)	(9,608.8)
Other Expenses	(34,468.8)	(36,504.8)	(39,827.5)	(42,948.5)
Cost of sales	(147,555.2)	(156,071.6)	(170,474.3)	(184,166.8)
Operating Profit	**31,871.5**	**35,444.3**	**36,231.5**	**41,191.9**
Depreciation	(3,133.4)	(3,368.3)	(3,484.6)	(3,668.3)
PBIT	28,738.1	32,076.0	32,746.8	37,523.5
Other income	2,270.9	2,240.3	2,220.2	2,038.1
Interest	(1,388.0)	(1,127.6)	(870.5)	(606.3)
Profit before tax	29,621.0	33,188.7	34,096.5	38,955.4
Extraordinary Items / Exceptional	(248.0)	-	-	-
Profit before tax (post Excep)	29,373.0	33,188.7	34,096.5	38,955.4
Provision for tax	(7,487.1)	(7,517.7)	(8,582.1)	(9,805.1)
Reported PAT	**21,885.9**	**25,671.0**	**25,514.4**	**29,150.3**
Share of Pft and Loss of Associates and Minority Int	(98.7)	(336.1)	(351.1)	(366.9)
Adjusted PAT	**21,972.0**	**25,334.9**	**25,163.3**	**28,783.4**

Balance Sheet	FY25	FY26	FY27E	FY28E
Equity capital	240.9	240.9	240.9	240.9
Reserves	43,316.3	50,824.7	54,186.5	64,902.4
Net worth	**43,557.2**	**51,065.6**	**54,427.4**	**65,143.3**
Def. Tax Liab.+Minority Ir	256.0	293.2	328.4	363.6
Secured loans	7,129.4	2,861.1	861.1	861.1
Unsecured loans	5,118.3	10,717.2	8,717.2	6,717.2
Total debt	12,247.7	13,578.3	9,578.3	7,578.3
CAPITAL EMPLOYED	**56,060.9**	**64,937.1**	**64,334.1**	**73,085.2**
Gross block	51,490.2	53,907.1	56,907.1	59,907.1
Accumulated depreciatio	(18,943.8)	(22,312.1)	(25,796.7)	(29,465.1)
Net block	32,546.4	31,595.0	31,110.4	30,442.0
Capital WIP	892.0	390.4	390.4	390.4
Total fixed assets	**33,438.4**	**31,985.4**	**31,500.8**	**30,832.4**
Goodwill	1,327.8	1,439.5	1,439.5	1,439.5
Investments	23,818.1	31,562.3	31,562.3	31,562.3
Inventories	12,365.1	13,459.3	14,724.2	16,052.9
Sundry debtors	4,486.1	4,692.1	5,064.2	5,521.2
Cash & bank	3,124.8	3,524.4	573.7	9,040.7
Loans & advances	750.0	900.0	900.0	900.0
Other current assets	8,709.3	9,326.3	10,258.9	11,284.8
Sundry creditors	(17,522.3)	(18,964.1)	(18,345.8)	(19,831.6)
O. Current Liablities	(8,430.0)	(7,112.2)	(7,467.8)	(7,841.2)
Provisions	(6,372.3)	(6,306.0)	(6,306.0)	(6,306.0)
Working capital	**(2,889.3)**	**(480.2)**	**(598.5)**	**8,820.9**
Deferred Tax Assets	365.9	430.1	430.1	430.1
Miscellaneous exp.	-	-	-	-
CAPITAL DEPLOYED	**56,060.9**	**64,937.1**	**64,334.1**	**73,085.2**

Cash Flow St. (Rs. mn)	FY25	FY26	FY27E	FY28E
Net Profit	21,787.2	25,334.9	25,163.3	28,783.4
Add: Dep. & Amort.	3,133.4	3,368.3	3,484.6	3,668.3
Cash profits	**24,920.6**	**28,703.2**	**28,647.9**	**32,451.7**
(Inc)/Dec in				
-Sundry debtors	(552.8)	(206.0)	(372.1)	(457.0)
-Inventories	(552.9)	(1,094.2)	(1,264.9)	(1,328.7)
-Loans/advances	3,374.5	(767.0)	(932.6)	(1,025.9)
-Sundry creditors	1,247.5	1,441.8	(618.3)	1,485.7
-Others	413.8	(1,384.1)	355.6	373.4
Change in working capital	3,930.1	(2,009.5)	(2,832.4)	(952.5)
CF from Oper. activities	**28,850.7**	**26,693.7**	**25,815.6**	**31,499.3**
CF from Inv. activities	**(4,463.7)**	**(9,771.2)**	**(3,000.0)**	**(3,000.0)**
CF from Fin. activities	**(25,725.7)**	**(16,522.9)**	**(25,766.3)**	**(20,032.3)**
Cash generated/(utilised)	**(1,338.7)**	**399.6**	**(2,950.7)**	**8,467.0**
Cash at start of the year	4,463.5	3,124.8	3,524.4	573.7
Cash at end of the year	3,124.8	3,524.4	573.7	9,040.7

Ratios	FY25	FY26	FY27E	FY28E
OPM	17.8	18.5	17.5	18.3
NPM	12.1	13.1	12.0	12.7
Tax rate	(25.5)	(22.7)	(25.2)	(25.2)
Growth Ratios (%)				
Net Sales	7.0	6.7	7.9	9.0
Operating Profit	0.5	11.2	2.2	13.7
PAT	2.6	15.3	(0.7)	14.4
Per Share (Rs.)				
Net Earnings (EPS)	91.2	105.2	104.5	119.5
Cash Earnings (CPS)	103	119	119	135
Dividend	73.5	75.0	90.5	75.0
Book Value	180.8	212.0	225.9	270.4
Free Cash Flow	101.23	70.25	94.71	118.30
Valuation Ratios				
P/E(x)	**60.7**	**52.6**	**53.0**	**46.3**
P/B(x)	30.6	26.1	24.5	20.5
EV/EBIDTA(x)	41.5	37.1	36.2	31.8
Div. Yield(%)	1.3	1.4	1.6	1.4
FCF Yield(%)	**1.8**	**1.3**	**1.7**	**2.1**
Return Ratios (%)				
ROE	50.4	49.6	46.2	44.2
ROCE	51.3	49.4	50.9	51.3

Source: Dalal & Broacha Research, Company

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