

Rating: BUY | CMP: Rs4,871 | TP: Rs5,881

February 7, 2025

## Q3FY25 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current FY26E	Previous FY27E	Current FY26E	Previous FY27E
<b>Rating</b>	BUY	BUY		
<b>Target Price</b>	<b>5,881</b>	<b>5,815</b>		
Sales (Rs. m)	1,97,127	2,17,234	1,93,445	2,13,754
% Chng.	1.9	1.6		
EBITDA (Rs. m)	35,565	40,362	34,252	39,417
% Chng.	3.8	2.4		
EPS (Rs.)	101.6	117.6	99.0	116.3
% Chng.	2.6	1.1		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	1,67,693	1,79,413	1,97,127	2,17,234
EBITDA (Rs. m)	31,698	31,426	35,565	40,362
Margin (%)	18.9	17.5	18.0	18.6
PAT (Rs. m)	21,371	21,650	24,468	28,334
EPS (Rs.)	88.7	89.9	101.6	117.6
Gr. (%)	10.1	1.3	13.0	15.8
DPS (Rs.)	71.9	73.5	75.0	85.0
Yield (%)	1.5	1.5	1.5	1.7
RoE (%)	57.2	53.6	54.8	54.6
RoCE (%)	45.9	48.0	53.6	55.8
EV/Sales (x)	7.0	6.5	5.9	5.3
EV/EBITDA (x)	37.0	37.2	32.7	28.6
PE (x)	54.9	54.2	48.0	41.4
P/BV (x)	29.8	28.4	24.5	21.0

### Key Data

#### BRIT.BO | BRIT IN

52-W High / Low	Rs.6,473 / Rs.4,641
Sensex / Nifty	77,860 / 23,560
Market Cap	Rs.1,173bn / \$ 13,419m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.2216.62m

### Shareholding Pattern (%)

Promoter's	50.55
Foreign	16.46
Domestic Institution	17.58
Public & Others	15.41
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	0.8	(16.6)	(4.1)
Relative	1.2	(14.8)	(11.1)

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### Strong growth levers across categories

#### Quick Pointers:

- ~6% price hike to beat 11% cost inflation in 3 phases i.e. - 2% in 3Q, 2.5% in 3Q and 1.5% 1Q26
- 3Q25 witnessed Rs750mn reversal of phantom stock options in employee costs, ex of this standalone and consol PAT would have declined by 9/6%.

**We increase our FY25/FY26/FY27 EPS estimates by 5.7/2.6/1.1% despite urban slowdown and 11% input cost inflation on account of 1) Sustained leadership in Biscuits and Bakery with volume growth of 8/8/6% in 1Q/2Q/3Q25 in tough market environment 2) little threat from new B2C players in its business given long history of presence of local, and regional players 3) rising scalability in adjacencies like Milkshakes and Croissants (~Rs.2bn sales each) 4) strong innovation pipeline with focus on region/channel specific products & premiumization and 5) sustained cost saving (2.5% of sales in FY25/26).**

**With a 6% price increase being planned across 3Q/4Q/1Q and sustained volume growth and expected flip to premiumization from tax cuts in budget, BRIT should start reporting positive traction from 1Q26. We estimate 1.2% EPS growth in FY25 but 15% PAT CAGR over FY25-27. We value the stock at 50x Mar'27EPS and assign a target price of Rs5881 (Rs5815 earlier). Retain BUY.**

**3Q volumes up 6%; PLI/ VAT gains increase Other operating income by 93%: Consolidated** Revenues grew by 7.9% YoY to Rs45.9bn (PLe: Rs44.6bn) Gross margins contracted by 515bps YoY to 38.7% (Ple: 40.6%), showing impact of commodity inflation. EBITDA grew by 2.9% YoY to Rs8.4bn (PLe: Rs7.27bn); Margins contracted by 89bps YoY to 18.4% (PLe: 16.3%). PBT grew by 2.4% YoY to Rs 7.8bn (PLe: Rs 6.6bn). Adjusted PAT grew by 4.4% YoY to Rs5.8bn.

- Standalone** sales increased 7.7%, Gross margins contracted by 535bps YoY to 36.9 %. Other operating income increased by 93% YoY, which cushioned GM decline by 150bps. EBIDTA declined by 98bps YoY to Rs.8.1bn while Margins contracted 98bps QoQ to 18.3%. Adjusted PAT grew by 2.9% YoY to 5bn.
- BRIT had Rs750mn writeback in phantom stock options which suppressed staff costs by Rs750mn in 3Q. These provisions were made in 1H25 (Rs250/500mn in 1Q/2Q25). Excluding this, standalone and consol PAT would have declined by 9% and 7% respectively. There is no impact on 9m numbers which show standalone and consol PAT growth of 2.8/3.1% respectively.

**Concall Takeaways:** 1) BRIT implemented price hikes of approximately 2% (Rs1bn) in 3Q, plans to hike prices by another 2.5% in 4Q and 1.5% in 1Q26 to neutralise the impact of 11% input cost inflation 2) while wheat price might correct from April, Palm oil prices are unlikely to correct to earlier levels as 20% custom duty is likely to stay 3) 2) BRIT maintains 16-17% EBIT guidance with cost savings of 2.5% of sales in FY25/26 3) Capex guidance for FY26 is estimated at ~Rs. 1.5bn-2bn for next 2-3 years as it has done capex of Rs15bn in past 2 years with 4 plants and

Ranjangaon facility 4) Innovation pipeline remains strong with launch of double chocolate croissants, dual-flavoured layer cakes, a relaunch of its cheese portfolio, Winkin Cow's flavoured milk priced at Rs.20, and the Harry Potter-themed Pure Magic Choco (e-commerce/MT exclusive). 5) BRIT's adjacent businesses are scaling up well with the croissant business set to surpass Rs. 2 bn in sales. Milkshake category has already crossed Rs. 2 bn sales and entry in Rs.20 SKU (currently Rs30/40 SKU) 7) BRIT continues to expand its distribution and is changing its route to market strategy by targeting high potential outlets and technology to drive sales efficiency.

**Exhibit 1: 3QFY25 Results: Sales up 7.9%, GM decline by ~515bps YoY whereas EBITDAM decline 89bps YoY**

Consolidated (Rs mn)	3QFY25	3QFY24	YoY gr. (%)	2QFY25	9MY25	9MY24	YoY gr. (%)
<b>Net Sales</b>	<b>45,926</b>	<b>42,563</b>	<b>7.9</b>	<b>46,676</b>	<b>1,26,999</b>	<b>1,35,105</b>	<b>(6.0)</b>
Gross Profit	17,784	18,673	(4.8)	19,381	54,504	55,614	(2.0)
<b>Margins (%)</b>	<b>38.7</b>	<b>43.9</b>	<b>-5.1</b>	<b>41.5</b>	<b>42.9</b>	<b>41.2</b>	<b>1.8</b>
Other Expenses	9,335	10,462	(10.8)	11,547	30,680	31,794	(3.5)
<b>% of Sales</b>	<b>20.3</b>	<b>24.6</b>	<b>-4.3</b>	<b>24.7</b>	<b>24.2</b>	<b>23.5</b>	<b>0.6</b>
<b>EBITDA</b>	<b>8,449</b>	<b>8,211</b>	<b>2.9</b>	<b>7,834</b>	<b>23,824</b>	<b>23,820</b>	<b>0.0</b>
<b>Margins (%)</b>	<b>18.4</b>	<b>19.3</b>	<b>-0.9</b>	<b>16.8</b>	<b>18.8</b>	<b>17.6</b>	<b>1.1</b>
Depreciation	824	781	5.5	761	2,205	2,324	(5.1)
Interest	446	311	43.3	346	1,376	1,082	27.2
Other Income	625	506	23.5	460	1,568	1,641	(4.4)
<b>PBT</b>	<b>7,804</b>	<b>7,625</b>	<b>2.4</b>	<b>7,187</b>	<b>21,811</b>	<b>22,055</b>	<b>(1.1)</b>
Tax	1,961	2,026	(3.2)	1,836	5,812	5,559	4.6
<b>Tax Rate (%)</b>	<b>25.1</b>	<b>26.6</b>	<b>-1.4</b>	<b>25.5</b>	<b>26.6</b>	<b>25.2</b>	<b>1.4</b>
<b>Adjusted PAT</b>	<b>5,843</b>	<b>5,599</b>	<b>4.4</b>	<b>5,351</b>	<b>15,999</b>	<b>16,496</b>	<b>(3.0)</b>

Source: Company, PL

Growth in number of packs has been in line with volume growth, signifying the health of volume growth

**Exhibit 2: 3Q Volumes increased ~6% YoY**



Source: Company, PL

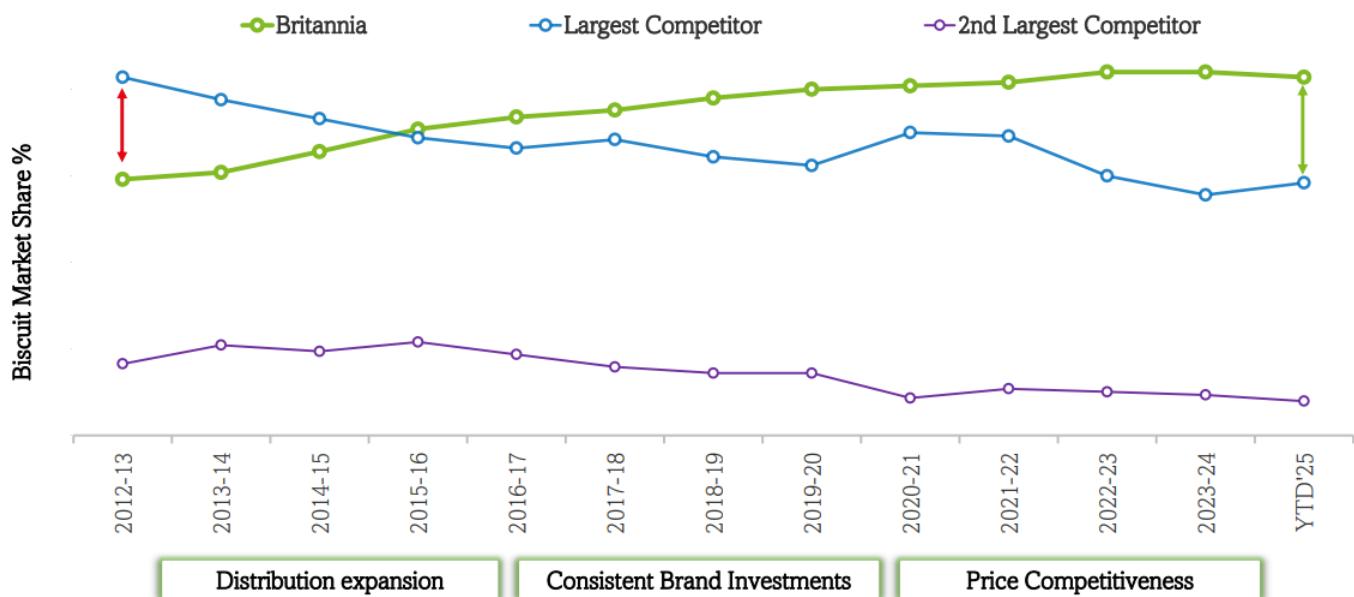
The other operating income (% of sales) cushioned decline in GM by 130bps, but for that GM would have declined by 670bps (540bps now) to 35.6%

**Exhibit 3: PLI and SEZ benefits cushion margins in inflationary environment**

Rsmn (standalone)	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25	3Q FY25
Other Operating Income	1,360	464	686	710	613	1,271	1,090	1,371
% of sales	3.4%	1.2%	1.5%	1.7%	1.5%	3.0%	2.3%	3.0%
Gross Margin	43.1%	40.2%	41.3%	42.3%	43.3%	41.7%	39.7%	36.9%
EBIDTA margin	20.4%	17.2%	19.6%	19.3%	19.6%	17.8%	16.6%	18.3%
Overheads	22.7%	23.0%	21.7%	22.9%	23.6%	23.9%	23.1%	18.6%

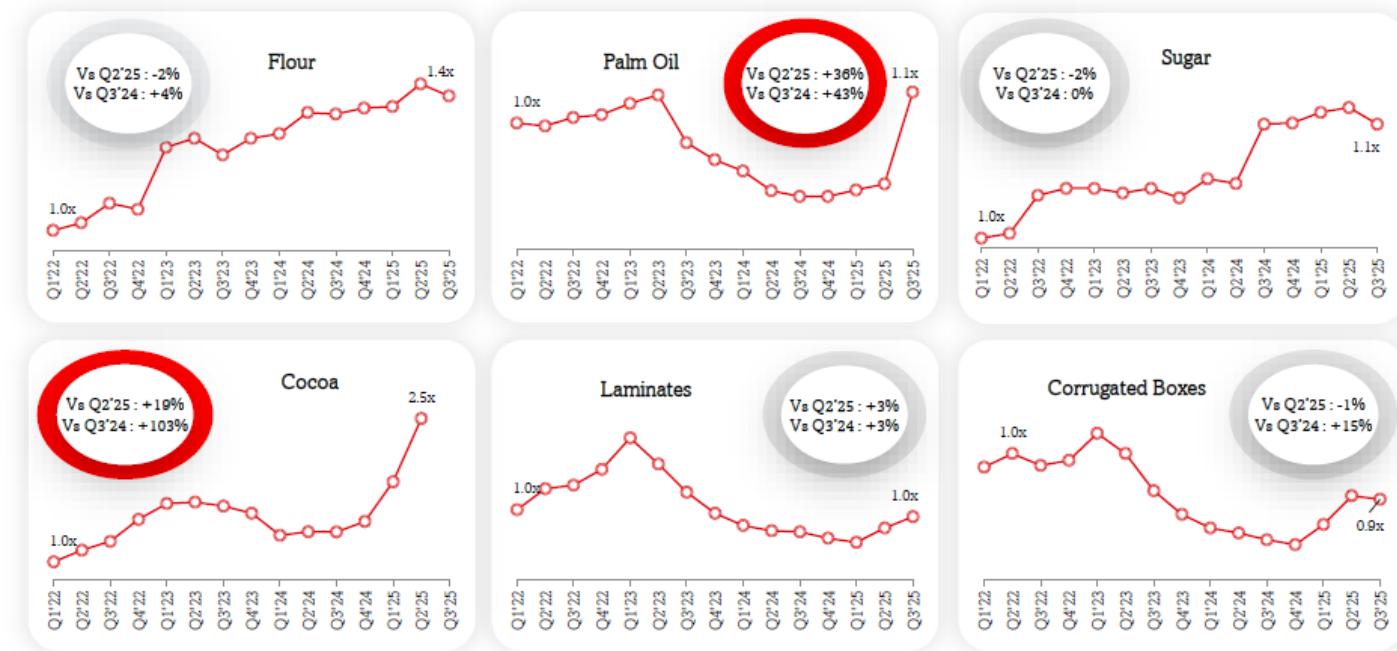
Source: Company, PL

Exhibit 4: Gap in market share between BRIT & 2<sup>nd</sup> largest competitor reduces sequentially



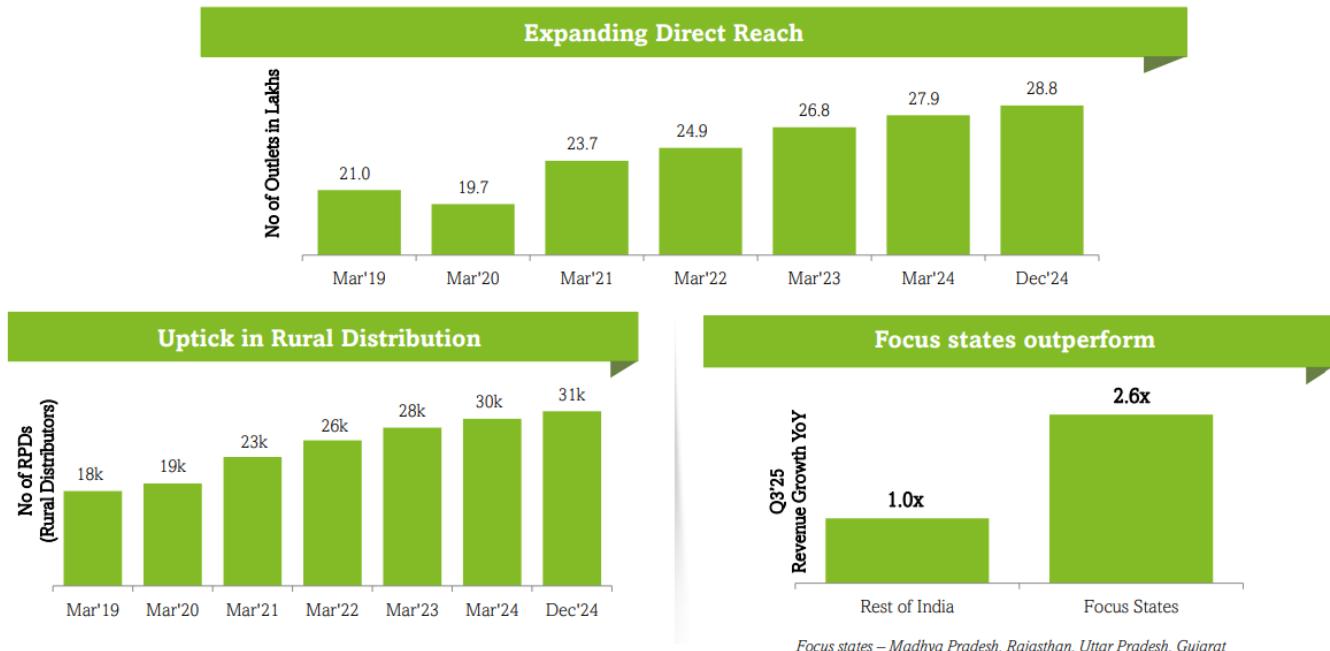
Source: Company, PL

Exhibit 5: 11% inflation in commodity costs led by Palm Oil & Cocoa prices



Source: Company, PL

Exhibit 6: BRIT continues to strengthen its distribution channels



Source: Company, PL

Exhibit 7: Innovation to strengthen Adjacent categories

Strengthened Adjacent categories with new launches..



Dual Flavored Layer Cake



Rusk – Rs 5 Pack

..While in-market products continued to do well



Tiger Coconut



Golmaal Butter Garlic



Good Day Chunkies



Good Day Fruit & Nut

Innovation Pipeline catering to Regional preferences & driving Premiumization

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Net Revenues</b>	<b>1,67,693</b>	<b>1,79,413</b>	<b>1,97,127</b>	<b>2,17,234</b>
YoY gr. (%)	2.9	7.0	9.9	10.2
Cost of Goods Sold	94,920	1,05,934	1,14,843	1,25,462
Gross Profit	72,772	73,479	82,284	91,772
Margin (%)	43.4	41.0	41.7	42.2
Employee Cost	7,087	7,177	8,279	9,341
Other Expenses	1,183	1,166	1,183	1,303
<b>EBITDA</b>	<b>31,698</b>	<b>31,426</b>	<b>35,565</b>	<b>40,362</b>
YoY gr. (%)	12.0	(0.9)	13.2	13.5
Margin (%)	18.9	17.5	18.0	18.6
Depreciation and Amortization	3,005	3,091	3,248	3,373
<b>EBIT</b>	<b>28,694</b>	<b>28,335</b>	<b>32,317</b>	<b>36,990</b>
Margin (%)	17.1	15.8	16.4	17.0
Net Interest	1,640	1,548	1,229	1,100
Other Income	2,142	2,158	2,003	2,232
<b>Profit Before Tax</b>	<b>29,195</b>	<b>28,945</b>	<b>33,090</b>	<b>38,121</b>
Margin (%)	17.4	16.1	16.8	17.5
Total Tax	7,793	7,296	8,623	9,788
Effective tax rate (%)	26.7	25.2	26.1	25.7
<b>Profit after tax</b>	<b>21,403</b>	<b>21,650</b>	<b>24,468</b>	<b>28,334</b>
Minority interest	-	-	-	-
Share Profit from Associate	(32)	-	-	-
<b>Adjusted PAT</b>	<b>21,371</b>	<b>21,650</b>	<b>24,468</b>	<b>28,334</b>
YoY gr. (%)	10.1	1.3	13.0	15.8
Margin (%)	12.7	12.1	12.4	13.0
Extra Ord. Income / (Exp)	(29)	-	-	-
<b>Reported PAT</b>	<b>21,342</b>	<b>21,650</b>	<b>24,468</b>	<b>28,334</b>
YoY gr. (%)	(7.9)	1.4	13.0	15.8
Margin (%)	12.7	12.1	12.4	13.0
Other Comprehensive Income	11	-	-	-
Total Comprehensive Income	21,353	21,650	24,468	28,334
<b>Equity Shares O/s (m)</b>	<b>241</b>	<b>241</b>	<b>241</b>	<b>241</b>
<b>EPS (Rs)</b>	<b>88.7</b>	<b>89.9</b>	<b>101.6</b>	<b>117.6</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>45,604</b>	<b>48,278</b>	<b>50,957</b>	<b>53,643</b>
Tangibles	43,858	46,472	49,092	51,717
Intangibles	1,746	1,806	1,866	1,926
<b>Acc: Dep / Amortization</b>	<b>17,893</b>	<b>20,984</b>	<b>24,232</b>	<b>27,605</b>
Tangibles	17,555	20,668	23,905	27,268
Intangibles	339	316	326	337
<b>Net fixed assets</b>	<b>27,711</b>	<b>27,294</b>	<b>26,725</b>	<b>26,038</b>
Goodwill	-	-	-	-
Non-Current Investments	10,957	10,982	11,009	11,039
Capital Work In Progress	1,875	1,725	1,725	1,525
Net Deferred tax assets	418	439	461	484
Other Non-Current Assets	1,266	1,325	1,423	1,532
<b>Current Assets</b>				
Investments	16,965	16,147	19,713	30,413
Inventories	11,812	13,060	14,159	15,468
Trade receivables	3,933	4,070	4,220	4,521
Cash & Bank Balance	4,464	4,267	5,940	4,671
Other Current Assets	1,337	1,615	1,774	1,955
<b>Total Assets</b>	<b>90,735</b>	<b>90,993</b>	<b>97,750</b>	<b>1,08,852</b>
<b>Equity</b>				
Equity Share Capital	241	241	241	241
Other Equity	39,174	41,085	47,654	55,680
<b>Total Networth</b>	<b>39,415</b>	<b>41,326</b>	<b>47,895</b>	<b>55,921</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	9,047	4,547	1,547	1,547
Provisions	306	306	306	306
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	11,401	12,345	12,845	12,845
Trade payables	16,275	17,017	18,468	20,177
Other current liabilities	13,168	14,119	15,260	16,522
<b>Total Equity &amp; Liabilities</b>	<b>90,736</b>	<b>90,994</b>	<b>97,751</b>	<b>1,08,852</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	29,195	28,945	33,090	38,121
Add. Depreciation	2,945	3,091	3,248	3,373
Add. Interest	1,640	1,548	1,229	1,100
Less Financial Other Income	2,142	2,158	2,003	2,232
Add. Other	(451)	(2,177)	(2,055)	(2,289)
Op. profit before WC changes	33,329	31,407	35,512	40,304
Net Changes-WC	2,544	(40)	653	576
Direct tax	(7,793)	(7,296)	(8,623)	(9,788)
<b>Net cash from Op. activities</b>	<b>28,081</b>	<b>24,071</b>	<b>27,543</b>	<b>31,093</b>
Capital expenditures	(4,897)	(2,524)	(2,680)	(2,485)
Interest / Dividend Income	2,142	2,158	2,003	2,232
Others	5,543	818	(3,566)	(10,700)
<b>Net Cash from Invt. activities</b>	<b>2,788</b>	<b>453</b>	<b>(4,242)</b>	<b>(10,954)</b>
Issue of share cap. / premium	(3,779)	(2,274)	(192)	(2,240)
Debt changes	(9,357)	(3,556)	(2,500)	-
Dividend paid	(13,609)	(17,343)	(17,706)	(18,068)
Interest paid	(1,640)	(1,548)	(1,229)	(1,100)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(28,385)</b>	<b>(24,721)</b>	<b>(21,627)</b>	<b>(21,407)</b>
<b>Net change in cash</b>	<b>2,484</b>	<b>(197)</b>	<b>1,673</b>	<b>(1,269)</b>
Free Cash Flow	23,184	21,548	24,863	28,607

**Key Financial Metrics**

Y/e Mar	FY24	FY25E	FY26E	FY27E	
<b>Per Share(Rs)</b>					
EPS		88.7	89.9	101.6	117.6
CEPS		101.2	102.7	115.1	131.6
BVPS		163.6	171.5	198.8	232.1
FCF		96.2	89.4	103.2	118.8
DPS		71.9	73.5	75.0	85.0
<b>Return Ratio(%)</b>					
RoCE		45.9	48.0	53.6	55.8
ROIC		41.4	40.1	44.8	50.1
RoE		57.2	53.6	54.8	54.6
<b>Balance Sheet</b>					
Net Debt : Equity (x)		0.0	(0.1)	(0.2)	(0.4)
Net Working Capital (Days)		(1)	0	0	0
<b>Valuation(x)</b>					
PER		54.9	54.2	48.0	41.4
P/B		29.8	28.4	24.5	21.0
P/CEPS		48.1	47.4	42.3	37.0
EV/EBITDA		37.0	37.2	32.7	28.6
EV/Sales		7.0	6.5	5.9	5.3
Dividend Yield (%)		1.5	1.5	1.5	1.7

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
<b>Net Revenue</b>	<b>40,694</b>	<b>42,503</b>	<b>46,676</b>	<b>45,926</b>
YoY gr. (%)	1.1	6.0	5.3	7.9
Raw Material Expenses	22,425	24,054	27,294	28,143
Gross Profit	18,269	18,449	19,381	17,784
Margin (%)	44.9	43.4	41.5	38.7
<b>EBITDA</b>	<b>7,875</b>	<b>7,537</b>	<b>7,834</b>	<b>8,449</b>
YoY gr. (%)	(1.7)	9.4	(10.2)	2.9
Margin (%)	19.4	17.7	16.8	18.4
Depreciation / Depletion	799	739	761	824
<b>EBIT</b>	<b>7,075</b>	<b>6,797</b>	<b>7,073</b>	<b>7,625</b>
Margin (%)	17.4	16.0	15.2	16.6
Net Interest	264	290	346	446
Other Income	573	556	460	625
<b>Profit before Tax</b>	<b>7,384</b>	<b>7,064</b>	<b>7,187</b>	<b>7,804</b>
Margin (%)	18.1	16.6	15.4	17.0
Total Tax	1,980	1,762	1,836	1,961
Effective tax rate (%)	26.8	24.9	25.5	25.1
<b>Profit after Tax</b>	<b>5,404</b>	<b>5,302</b>	<b>5,351</b>	<b>5,843</b>
Minority interest	-	-	-	-
Share Profit from Associates	(38)	(7)	(34)	(20)
<b>Adjusted PAT</b>	<b>5,366</b>	<b>5,295</b>	<b>5,317</b>	<b>5,823</b>
YoY gr. (%)	(3.8)	16.3	(9.3)	4.3
Margin (%)	13.2	12.5	11.4	12.7
Extra Ord. Income / (Exp)	(17)	(233)	13	-
<b>Reported PAT</b>	<b>5,349</b>	<b>5,063</b>	<b>5,330</b>	<b>5,823</b>
YoY gr. (%)	(4.1)	11.3	(9.6)	4.7
Margin (%)	13.1	11.9	11.4	12.7
Other Comprehensive Income	-	-	-	1
<b>Total Comprehensive Income</b>	<b>5,349</b>	<b>5,063</b>	<b>5,330</b>	<b>5,824</b>
Avg. Shares O/s (m)	241	241	241	241
<b>EPS (Rs)</b>	<b>22.3</b>	<b>22.0</b>	<b>22.1</b>	<b>24.2</b>

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jan-25	BUY	5,815	4,860
2	12-Nov-24	BUY	5,845	5,028
3	07-Oct-24	Accumulate	6,397	6,206
4	05-Aug-24	Accumulate	6,080	5,766
5	09-Jul-24	Hold	5,315	5,547
6	06-May-24	Hold	5,315	5,062
7	09-Apr-24	Hold	5,157	4,793

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Reduce	2,123	2,354
2	Avenue Supermarts	Hold	3,964	3,686
3	Britannia Industries	BUY	5,815	4,860
4	Colgate Palmolive	Hold	2,801	2,679
5	Dabur India	Hold	561	534
6	Emami	Accumulate	716	554
7	Hindustan Unilever	Accumulate	2,691	2,343
8	ITC	Accumulate	530	443
9	Jubilant FoodWorks	Hold	719	750
10	Kansai Nerolac Paints	Reduce	274	257
11	Marico	Accumulate	704	671
12	Metro Brands	Hold	1,177	1,199
13	Mold-tek Packaging	Accumulate	709	628
14	Nestle India	Accumulate	2,606	2,300
15	Pidilite Industries	Accumulate	3,318	2,910
16	Restaurant Brands Asia	Hold	76	72
17	Titan Company	BUY	3,833	3,491
18	Westlife Foodworld	Hold	778	718

PL's Recommendation Nomenclature (Absolute Performance)

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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