FIRST LIGHT

13 May 2025

RESEARCH

BRITANNIA INDUSTRIES | TARGET: Rs 5,715 | +2% | HOLD

Savings and cost cuts to the rescue

APOLLO PIPES | TARGET: Rs 435 | +12% | HOLD

Muted Q4; maintain HOLD on weak ROE profile

SUMMARY

BRITANNIA INDUSTRIES

- Sales were in line with consensus and our estimates but EBITDA 7% above consensus
- Cost savings and spending cuts are helping offset inflation. We upgrade FY26 and FY27 earnings due to lower operating costs
- BRIT sees FY26 as a "Test Year" of growing volumes despite pricing. Spending cuts may slow distribution gains. Hold on +2% return

Click here for the full report.

APOLLO PIPES

- Weak performance for the sixth consecutive quarter on weak demand for plumbing and infra pipes
- Over-optimistic guidance as APOLP targets to grow volume at 25% CAGR as well as improve ROCE to 25% over the next two years
- Maintain HOLD due to weak ROE profile on rising competitive intensity and margin-dilutive KML acquisition; TP cut by 3% to Rs 435 per share

Click here for the full report.

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HOLD
TP: Rs 5,715 | ⮝ 2%

BRITANNIA INDUSTRIES | Consumer Staples | 13 May 2025

Savings and cost cuts to the rescue

- **Sales were in line with consensus and our estimates but EBITDA 7% above consensus**
- **Cost savings and spending cuts are helping offset inflation. We upgrade FY26 and FY27 earnings due to lower operating costs**
- **BRIT sees FY26 as a "Test Year" of growing volumes despite pricing. Spending cuts may slow distribution gains. Hold on +2% return**

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4QFY25 result summary: Britannia reported sales of Rs44billion, +9% YoY with EBITDA rising +2% as margins contracted 120bps to 18.2%. The 4Q deterioration in gross margins at 480bps YoY was lower vs 3Q at 515bps. Sales were in line with consensus and our estimates. EBITDA 7% above consensus and 15% above our estimates as Britannia cut Other expenses (lower A&P, efficiencies) 8% YoY.

Inflation and offsets: COGS inflation of 15% was lower vs our +18% estimate mainly due to tactical buying. While estimated pricing of 5.5% was insufficient to offset inflation with gross margins down 480bps YoY; tactical buying, operating cost cuts and savings initiatives restricted EBITDA margin contraction to 120bps. For 4QFY25, we estimate cost savings at 3.5+% of sales. Company has clarified that the bulk of it came from efficient buying implying it to be an unsustainable run rate.

Company guidance: Britannia does not intend to take further pricing in FY26. Some carry over impact from 4QFY25 will still flow through. The company has an "endeavor" to get to the double-digit sales growth run rate. We expect return to double digits sales growth profile in 4QFY26.

FY26 outlook: The combination of tactical buying, pricing and grammage reductions is helping recover cost inflation. For FY26, the gross margin percentage will still be down but we expect inflation to be offset in FY26. Our gross margin forecast for FY26 is 300bps down YoY to 37.9%. The expected run rate for FY26 savings is 2.5% of sales which adds to the 5%-6% pricing flowing through from 4QFY25 and a small part from 1QFY26. We also expect continued benefit from government incentives on new facilities in Maharashtra and UP. All in, we forecast EBITDA margin contraction of only 65bps to 17.1%.

Our view: Pricing, tactical buying, fiscal incentives and efficiencies are offsetting the current high inflationary scenario. We revise EBITDA 23% in FY26 and 20% in FY27 mainly on lower operating costs. We continue to value BRIT in line with its 5Yr historical average P/E of 48x on FY27 EPS. Our target price increases from Rs4,395 to Rs5,715 due to higher earnings. Upgrade to Hold with a +2% return.

Key changes

Target	Rating
▲	▲

Ticker/Price	BRIT IN/Rs 5,609
Market cap	US$ 15.9bn
Free float	49%
3M ADV	US$ 26.9mn
52wk high/low	Rs 6,470/Rs 4,506
Promoter/FPI/DII	51%/19%/30%

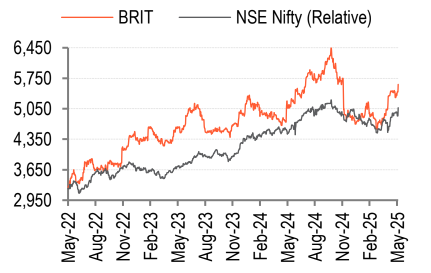
Source: NSE | Price as of 12 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	179,427	195,866	215,901
EBITDA (Rs mn)	31,872	33,517	39,223
Adj. net profit (Rs mn)	22,035	23,762	28,558
Adj. EPS (Rs)	91.5	98.6	118.5
Consensus EPS (Rs)	91.5	103.7	117.3
Adj. ROAE (%)	52.8	50.9	50.1
Adj. P/E (x)	61.3	56.9	47.3
EV/EBITDA (x)	43.1	40.7	34.7
Adj. EPS growth (%)	2.8	7.8	20.2

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

RESULT REVIEW

HOLD

TP: Rs 435 | ⮝ 12%

APOLLO PIPES | Building Materials | 13 May 2025

Muted Q4; maintain HOLD on weak ROE profile

- **Weak performance for the sixth consecutive quarter on weak demand for plumbing and infra pipes**
- **Over-optimistic guidance as APOLP targets to grow volume at 25% CAGR as well as improve ROCE to 25% over the next two years**
- **Maintain HOLD due to weak ROE profile on rising competitive intensity and margin-dilutive KML acquisition; TP cut by 3% to Rs 435 per share**

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Muted Q4: APOLP Q4FY25 result came below our estimate (Revenue: -6.4%; EBITDA: -12.7%) due to lower-than-expected sales volume (+21.8% YoY vs +37.5% estimated). Overall, APOLP revenue grew by 23.2% YoY due to consolidation of Kisan Moulding (KML) operations, but EBITDA de-grew by 5.4 YoY in Q4FY25.

Highlights: APOLP-adjusted sales volume (ex KML) was down 5.4% YoY in Q4FY25 and 2.9% YoY in FY25, due to weak demand in UPVC plumbing pipe and HDPE pipe segment from Jal Jeevan Mission program. The company has registered double-digit volume growth in agri pipe/CPVC/water tanks. Standalone EBITDA margin contracted by 111bps YoY to 9.0% in Q4FY25, due to gross margin pressure (-86bps) on intense competition. KML EBITDA margin stood at 3.0% in Q4FY25.

Over-optimistic guidance: Management believes that demand conditions remain very challenging, but a pickup is expected from H2FY26. APOLP targets to improve ROCE from 6.4% in FY25 to 25% by FY27 on a healthy 25% CAGR volume growth, along with improved margin profile for standalone (from 9.2% in FY25 to 10-11% in FY27) & KML (from 3.0% in Q4FY25 to 6-7% in FY27). APOLP plans to aggressively grow its pipe capacity from 225 ktpa currently to 286 ktpa over the next 2-3 years. Capex is estimated to be Rs 1.0bn for FY26. APOLP also plans to put up a greenfield pipe complex in South India going ahead.

Maintain HOLD; TP cut by 3% to Rs 435: We expect APOLP's sales volume to grow at a strong 15.2% CAGR over FY25-FY27E, but maintain our HOLD rating on the stock due to its weak ROE profile (6.2%-7.6% for FY26E-FY27E), on low operating rate, intense competition and KML's margin-dilutive acquisition. At CMP, the stock trades at 31.5x on 1YF P/E vs 5Y average of 53.7x. We have cut our TP to Rs 435 (Rs 450 earlier) due to earnings downgrade (-21.0%/-23.4% for FY26E/FY27E) based on weak Q4FY25 result. Our target P/E multiple remains unchanged at 27x on Mar'27 EPS estimates (vs Dec'26 earlier).

Key changes

Target	Rating
▼	◀ ▶

Ticker/Price	APOLP IN/Rs 389
Market cap	US$ 201.9mn
Free float	53%
3M ADV	US$ 0.5mn
52wk high/low	Rs 695/Rs 313
Promoter/FPI/DII	47%/3%/14%

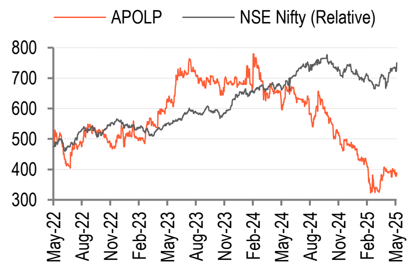
Source: NSE | Price as of 12 May 2025

Key financials

Y/E 31 Mar	FY25A	FY26E	FY27E
Total revenue (Rs mn)	11,816	13,547	16,310
EBITDA (Rs mn)	957	1,204	1,561
Adj. net profit (Rs mn)	326	538	742
Adj. EPS (Rs)	7.4	11.7	16.1
Consensus EPS (Rs)	7.4	13.1	20.1
Adj. ROAE (%)	4.8	6.2	7.6
Adj. P/E (x)	52.5	33.3	24.2
EV/EBITDA (x)	17.8	14.4	11.4
Adj. EPS growth (%)	(31.6)	57.6	37.8

Source: Company, Bloomberg, BOBCAPS Research

Stock performance



Source: NSE

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Recommendation scale: Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

HOLD – Expected return from -6% to +15%

SELL – Expected return <-6%

Note: Recommendation structure changed with effect from 21 June 2021

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