Britannia Industries hits a new high; up 5% in 4 days

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britannia industries

Shares of **Britannia Industries Ltd** on June 7 hit a fresh record high of Rs 4867.05 on BSE, with the stock rising for the fourth straight session as it tracked gains in the broader market.

At noon, Britannia Industries was trading at Rs 4858.65, up 3.3 percent from the previous close, while the benchmark Sensex was at 62,889 points, 0.15 percent higher from the previous close.

Since March 28, Britannia, which has gained nearly 5 percent in the past four days, has risen more than 16 percent, while Sensex and Nifty gained 6 percent each.

The stock has gained after the FMCG major reported better-than-expected earnings, analysts said. Britannia reported a 47.53 percent year on year rise in consolidated net profit to Rs 557.60 crore for the fourth quarter of FY23, helped by gains from distribution expansion, cost management and softening commodity prices.

Revenue from operations came in at Rs 4,023.18 crore, registering a growth of 13.31 percent from Rs 3,550.45 crore in the year-ago period.

For the second consecutive quarter, Britannia's gross margin showed a positive surprise, expanding by 70 basis points (bps) quarter-on-quarter (QoQ) and an impressive 580 bps year-on-year (YoY) to reach 43.1 percent. This represents an all-time high for the company.

One basis point is one-hundredth of a percentage point.

The notable improvement in gross margin was primarily driven by a decline in prices of palm oil and packaging materials, effectively offsetting inflationary pressures experienced in commodities like wheat and dairy, a Jefferies report said.

The favourable impact of these factors contributed to Britannia's exceptional gross margin performance during the period.

Volume growth came in at 1 percent for Q4, which was below expectations, analysts said. The management of Britannia is confident that in FY24, the company will experience an uptick in volume growth.

"This growth is expected to be driven by various initiatives, including distribution expansion, scaling up of adjacencies, and implementing price adjustments in brands and stock-keeping units (SKUs) where necessary.

“While these price adjustments may offset some of the gross margin gains resulting from favourable cost trends, it is anticipated that the operating margin for FY24 will still be better than the previous fiscal year (FY23) excluding the excess incentives included in that period,” JM Financial said in a recent note.