

CMP: INR 4,401

Rating: Accumulate

Target Price: INR 5,125

Stock Info

BSE	500825
NSE	BRITANNIA
Bloomberg	BRIT:IN
Reuters	BRIT.BO
Sector	Packaged Foods
Face Value (INR)	1
Equity Capital (INR cr)	24.1
Mkt Cap (INR cr)	1,09,183
52w H/L (INR)	5,269/ 3,710
Avg Daily Volume (in 000')	352

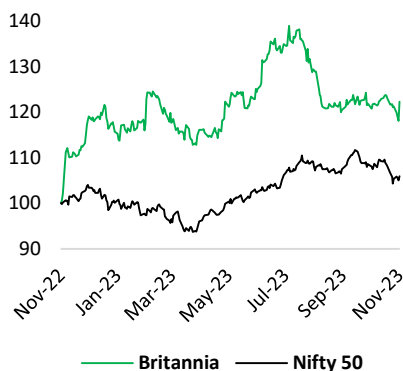
Shareholding Pattern %

(As on September, 2023)

Promoters	50.55
FII	19.66
DII	13.84
Public & Others	15.94

Stock Performance (%)	1m	3m	12m
Britannia	(0.1)	(5.8)	21.2
Nifty 50	(2.4)	(1.9)	6.0

Britannia Vs Nifty 50



Abhishek Jain

abhishek.jain@arihantcapital.com

022 67114872

Anushka Chitnis

Anushka.chitnis@arihantcapital.com

022 67114870

Britannia's results were mixed, with misses on the top and bottom line, but a beat on the margins. Revenue was up 0.76% YoY to INR 4,370 Cr (-2.93% QoQ), missing our estimate of INR 4,728 Cr by 7.6%. EBITDA grew 20.89% YoY to INR 925 Cr (+24.5% QoQ), beating our estimate of INR 846 Cr by 9.3%. EBITDA Margin expanded 352bps YoY to 21.16% (+245bps QoQ), beating our estimate of 17.73% by 343bps. PAT grew 19.55% to INR 587 Cr (+28.77% QoQ), missing our estimate of INR 594 Cr. There was some price correction passed on during the quarter, and volumes were challenged on the rural side as that whole segment faced low growth for the past 2 quarters. However, the company has not lost a share in either market.

Strategic Partnerships: The company has entered two JVs with global players- Chipita for the production of long-life croissants, and Bel SA for the production of cheese under the brand 'Laughing Cow'.

Greenfield expansions scaling up: The recent additions in Tamil Nadu and Uttar Pradesh are scaling up well and are operating at desired efficiencies. There is also further capacity addition planned at Ranjangaon.

The state of raw materials: The inflationary trend for key inputs has moderated for the most part. Wheat remains inflationary, palm oil and packaging material is deflationary, and Sugar is flattish. A lot of these corrections were passed on to end consumers.

Activities in adjacents and innovations: The company is working aggressively on marketing activities and new product developments directed toward its adjacent businesses and new product innovations, specifically for products like JimJam Pops, Golmaal, Laughing Cow, Good Day, Bourbon, and Makhana. Makhana is a new launch in a new category- salty snacks. This will remain on Modern trade/ e-commerce and won't go into widespread distribution.

International Operations: Middle East and Africa displayed high double-digit margin expansion, though the newly set up operations in Kenya are having some teething issues. Egypt performed well. The ROTW saw double-digit profitable growth led by America. Nepal too continues to grow profitably.

Valuation & Outlook: We assign a TP of INR 5,125, valued at a P/E multiple of 40x the FY26E EPS of INR 128, yielding an upside of 17% and an 'Accumulate' rating. The company has kept its market share intact despite the turbulent operating environment and increasing competitive intensity. They kept up their stance of constant product innovation and marketing.

INR Cr	FY22	FY23	FY24E	FY25E	FY26E
Revenues	14,136	16,301	18,261	20,635	23,318
yoy growth (%)	7.6	15.3	12.0	13.0	13.0
Operating profit	2,202	2,831	3,205	3,702	4,229
OPM (%)	15.6	17.4	17.5	17.9	18.1
Pre-exceptional PAT	1,516	1,941	2,325	2,692	3,087
yoy growth (%)	-18.1	28.0	19.8	15.8	14.7
EPS (Rs)	62.9	80.6	96.5	111.7	128.1
P/E (x)	69.9	54.6	45.6	39.4	34.3
Price/Book (x)	41.4	30.0	25.7	20.9	16.5
EV/EBITDA (x)	49.4	38.6	34.1	29.5	25.7
Debt/Equity (x)	1.2	1.0	1.0	0.9	0.8
RoE (%)	49.7	63.7	60.7	58.5	53.6
RoCE (%)	38.3	44.7	44.1	43.5	41.9

Source: Company & Arihant Research

Quarterly Result

INR Cr (consolidated)	Q2FY24	Q1FY24	Q2FY23	Q-o-Q	Y-o-Y
Net Revenue	4370	3970	4338	10.09%	0.76%
Other Operating Income	62	41	42	52.74%	48.52%
Raw Material Costs	2532	2329	2675	8.72%	-5.34%
Gross Profit	1,839	1,641	1,663	12.04%	10.56%
Gross Margin	42.07%	41.34%	38.34%	73bps	373bps
Employee costs	160	188	163	-15.12%	-1.66%
Other Expenses	869	805	831	7.96%	4.58%
Other Non Operating Income	52	54	53	-2.93%	-1.67%
EBITDA	925	743	765	24.50%	20.89%
<i>EBITDA margin %</i>	<i>21.16%</i>	<i>18.71%</i>	<i>17.64%</i>	<i>245bps</i>	<i>352bps</i>
Depreciation	72	71	52	1.30%	38.75%
EBIT	853	672	713	26.94%	19.60%
Finance costs	53	53	54	0.70%	-1%
Share of Profit/Loss from associates	-1	3	0	-134.78%	-1833%
PBT	799	622	659	28.40%	21.15%
Tax Expense	212	167	169	27.37%	26%
Effective tax rate %	27%	27%	26%	-21bps	98bps
PAT	587	455	491	28.77%	19.55%
<i>PAT margin %</i>	<i>13.08%</i>	<i>11.21%</i>	<i>11.07%</i>	<i>187bps</i>	<i>201bps</i>
EPS (INR)	24.41	19.00	20.48	28.47%	19.19%

Source: Company & Arianth Research

Operational Highlights:

- Total spending on A&P was up 1.5% this year.
- The company is still evaluating its position in the salty snacks category and has not yet decided to scale up in it.
- The current rural slowdown is because rainfall and harvests were bad this year. These are expected to improve in H2 which will lead to better demand sentiment.
- Packet growth was flattish this quarter.
- Cumulative price cuts taken at the portfolio level were ~1.5%, and price hikes taken were ~24%.
- The desired product mix is moving toward more premium brands. They have not seen any downgrading so far.
- The company undertook some strategic buying to keep inventory costs low.
- The total biscuit penetration of the company in India is 94%.
- Average FNB consumption occasions per day are going up, and are now 5.1. Biscuit consumption occasions per year used to be 303 in FY18 and are now 370 in FY23.

Consolidated Financial Highlights

Income Statement (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	14,136	16,301	18,261	20,635	23,318
Operating profit	2,202	2,831	3,205	3,702	4,229
Depreciation	(201)	(226)	(257)	(280)	(301)
Interest expense	(144)	(169)	(199)	(228)	(256)
Other income	223	216	430	486	549
Extraordinary income	(1)	0	0	0	0
Profit before tax	2,079	2,652	3,178	3,680	4,221
Taxes	(562)	(716)	(858)	(994)	(1,140)
Minorities and other	(0)	5	5	5	5
Reported Net profit	1,516	1,941	2,325	2,692	3,087
Balance Sheet (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	24	24	24	24	24
Reserves	2,534	3,510	4,101	5,058	6,410
Net worth	2,558	3,534	4,125	5,082	6,434
Minority interest	28	30	30	30	30
Debt	2,958	3,554	4,104	4,654	5,204
Deferred tax liab (net)	(21)	(31)	(31)	(31)	(31)
Total liabilities	5,522	7,088	8,228	9,736	11,638
Fixed assets	1,584	2,472	2,570	2,668	2,711
Capital Work In Progress	536	105	129	93	100
Investments	2,236	3,840	4,297	4,855	5,487
Goodwill	140	128	128	128	128
Net working capital	842	344	406	461	522
Inventories	1,367	1,193	1,255	1,411	1,591
Sundry debtors	332	329	355	401	453
Loans & Advances	798	710	913	1,032	1,166
Other current assets	241	276	304	344	389
Sundry creditors	(1,285)	(1,449)	(1,673)	(1,881)	(2,121)
Other current liabilities & Prov	(612)	(715)	(749)	(846)	(956)
Cash	185	198	699	1,530	2,690
Total assets	5,522	7,088	8,228	9,736	11,638
Cash Flow Statement (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	2,079	2,652	3,178	3,680	4,221
Depreciation	201	226	257	280	301
Tax paid	(562)	(716)	(858)	(994)	(1,140)
Working capital Δ	(98)	498	(62)	(55)	(61)
Goodwill	(4)	11	-	-	-
Operating cashflow	1,615	2,670	2,516	2,911	3,321
Capital expenditure	(569)	(683)	(379)	(343)	(350)
Free cash flow	1,045	1,987	2,137	2,568	2,971
Equity raised	(1,144)	397	(0)	-	-
Investments	1,009	(1,604)	(456)	(559)	(631)
Debt financing/disposal	459	596	550	550	550
Dividends paid	(1,361)	(1,361)	(1,734)	(1,734)	(1,734)
Other items	(34)	(1)	5	5	5
Net Δ in cash	(26)	13	501	830	1,160
Opening Cash	211	185	198	699	1,530
Closing Cash	185	198	699	1,530	2,690

Source: Company & ARIHANT Research

Ratio Analysis	FY22	FY23	FY24E	FY25E	FY26E
Growth matrix (%)					
Revenue growth	7.6	15.3	12.0	13.0	13.0
Op profit growth	(12.3)	28.6	13.2	15.5	14.2
EBIT growth	(15.3)	26.8	19.7	15.7	14.6
Net profit growth	(18.1)	28.0	19.8	15.8	14.7
Profitability ratios (%)					
OPM	15.6	17.4	17.5	17.9	18.1
EBIT margin	15.7	17.3	18.5	18.9	19.2
Net profit margin	10.7	11.9	12.7	13.0	13.2
RoCE	38.3	44.7	44.1	43.5	41.9
RoNW	49.7	63.7	60.7	58.5	53.6
RoA	22.8	26.1	25.8	25.7	25.0
Per share ratios					
EPS	62.9	80.6	96.5	111.7	128.1
Dividend per share	56.5	56.5	72.0	72.0	72.0
Cash EPS	71.3	89.9	107.2	123.4	140.6
Book value per share	106.2	146.7	171.2	211.0	267.1
Valuation ratios					
P/E	69.9	54.6	45.6	39.4	34.3
P/CEPS	61.8	48.9	41.0	35.7	31.3
P/B	41.4	30.0	25.7	20.9	16.5
EV/EBIDTA	49.4	38.6	34.1	29.5	25.7
Payout (%)					
Dividend payout	89.8	70.1	74.6	64.4	56.2
Tax payout	27.1	27.0	27.0	27.0	27.0
Liquidity ratios					
Debtor days	9	7	7	7	7
Inventory days	42	32	30	30	30
Creditor days	39	39	41	41	41
Leverage ratios					
Interest coverage	15.4	16.7	17.0	17.2	17.5
Net debt / equity	1.1	0.9	0.8	0.6	0.4
Net debt / op. profit	1.3	1.2	1.1	0.8	0.6
Du-Pont Analysis	FY22	FY23	FY24E	FY25E	FY26E
Tax burden (x)	0.73	0.73	0.73	0.73	0.73
Interest burden (x)	0.93	0.94	0.94	0.94	0.94
EBIT margin (x)	0.16	0.17	0.18	0.19	0.19
Asset turnover (x)	2.13	2.19	2.03	1.97	1.89
Financial leverage (x)	2.17	2.44	2.35	2.27	2.15
RoE (%)	49.7	63.7	60.7	58.5	53.6

Source: Company & Arianth Research

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880