

CMP: INR 4,745

Rating: Accumulate

Target Price: INR 5,381

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)	1,20,694
52w H/L (INR)	5,386/ 4,350
Avg Daily Volume (in 000')	352

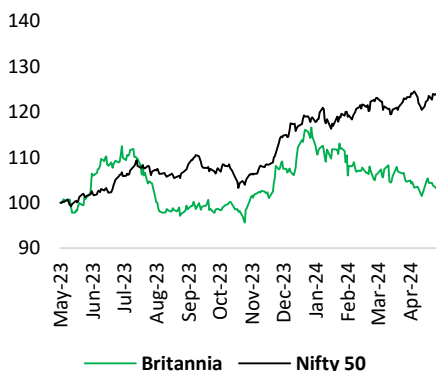
Shareholding Pattern %

(As on March, 2024)

Promoters	50.55
FII	18.23
DII	15.63
Public & Others	15.57

Stock Performance (%)	1m	6m	12m
Britannia	4.9	8.8	10.1
Nifty 50	(1.0)	15.6	22.3

Britannia Vs Nifty 50



Abhishek Jain

abhishek.jain@arihantcapital.com

022 67114872

Anushka Chitnis

Anushka.chitnis@arihantcapital.com

022 67114870

Britannia's operational highlights included expansion of the distribution network, focus on high-growth channels like modern trade and e-commerce, and product innovations. The non-biscuit portfolio contributed 25% of revenue and the dairy business witnessed significant investment and displayed high growth potential.

Inflationary expectations: FY25 is going to be marked by moderate, manageable inflation to the tune of 3-4%, the bulk of which will incur after the elections- in September. The wheat crop for FY25 is expected to be fine-though the current government holding is low which will lead to buying down the line because of their programs- which leads us to believe wheat will be inflationary post-elections. The sugar crop will not be so great and will be slightly inflationary. The company will take some pricing action to maintain its profitability.

The near-term negative impact of RTM 2.0: The company rolled out a new route-to-market approach (better servicing of high-end outlets with the most potential) which has reflected in healthy top-line growth during the year, but put pressure on margins. This will carry on for the short term.

Rural demand is sluggish and competition from the unorganized space is fierce: Rural demand remains a challenge, requiring continued efforts to strengthen distribution and product offerings. Additionally, local and regional players are growing as a competitive threat, which discourages taking steep pricing action.

International business: Strong performance in this sector was driven by the GCC and America. There has also been consistent performance in Nepal, which serves as a model for potential expansion into other countries.

Valuation & Outlook: We assign a TP of INR 5,381, valued at a P/E multiple of 50x the FY26E EPS of INR 107.6, yielding an upside of 13.4% and an 'Accumulate' rating. The future outlook emphasizes driving volume growth (with modest pricing action), managing pricing strategies in the face of inflation, cost efficiency, and investment in brands and innovation. Concerns include subdued rural demand and competition from local and regional players. There is also an increased focus on upskilling the salesforce and modern marketing methods.

INR Cr	FY23	FY24	FY25E	FY26E
Revenues	16,301	16,769	18,227	19,868
yoy growth (%)	15.3	2.9	8.7	9.0
Operating profit	2,831	3,170	3,485	3,837
OPM (%)	17.4	18.9	19.1	19.3
Pre-exceptional PAT	1,941	2,140	2,364	2,592
yoy growth (%)	28.0	10.3	10.4	9.7
EPS (Rs)	80.6	88.8	98.1	107.6
P/E (x)	58.9	53.4	48.4	44.1
Price/Book (x)	32.3	29.0	25.0	21.1
EV/EBITDA (x)	41.6	36.8	33.2	30.1
Debt/Equity (x)	1.0	0.7	0.7	0.7
RoE (%)	63.7	57.3	55.5	51.9
RoCE (%)	44.7	45.1	47.3	44.1

Source: Company & Arihant Research

Quarterly Result

INR Cr (Consolidated)	Q4FY24	Q3FY24	Q4FY23	Q-o-Q	Y-o-Y
Net Revenue	4370	4192	3892	4.26%	12.29%
Other Operating Income	62	65	131	-3.24%	-52.42%
Raw Material Costs	2532	2389	2216	5.97%	14.25%
Gross Profit	1,839	1,803	1,676	1.99%	9.70%
Gross Margin	42.07%	43.01%	43.07%	-94bps	-99bps
Employee costs	160	198	171	-19.44%	-6.28%
Other Expenses	869	848	836	2.49%	3.95%
Other Non Operating Income	52	51	56	3.54%	-7.13%
EBITDA	925	872	857	6.09%	7.88%
<i>EBITDA margin %</i>	<i>21.16%</i>	<i>20.79%</i>	<i>22.03%</i>	<i>37bps</i>	<i>-87bps</i>
Depreciation	72	78	65	-8.21%	9.72%
EBIT	853	794	792	7.50%	7.72%
Finance costs	53	31	35	71.82%	53%
Exceptional Items	-	3	-	-100.00%	-
Share of Profit/Loss from associates	-1	-1	4	-22.39%	-126%
PBT	799	764	761	4.53%	4.93%
Tax Expense	212	203	204	4.72%	4%
Effective tax rate %	27%	27%	27%	5bps	-18bps
PAT	587	561	558	4.46%	5.18%
<i>PAT margin %</i>	<i>13.08%</i>	<i>13.04%</i>	<i>13.67%</i>	<i>4bps</i>	<i>-59bps</i>
EPS (INR)	24.41	23.11	23.19	5.63%	5.26%

Source: Company & Arianth Research

Operational Highlights:

- The direct distribution network expanded to 27.9 lakh outlets. They also added 2,000 rural distributors to strengthen rural reach.
- Modern trade and e-commerce channels witnessed double-digit growth with an increased focus on high-growth channels.
- Growth in their focus states exceeded the company-level growth despite subdued rural demand.
- Continued focus on innovation with successful launches like Treat Cream biscuits, Jim Jam Pops, and Fruit & Nut Good Day.
- The non-biscuit portfolio contributes 25% of revenue and shows slightly better gross margins compared to the biscuits segment.
- Significant investment in backend infrastructure for the dairy segment for cheese production (along with the JV with Bel) indicates high expectations for future growth in this segment.

Consolidated Financial Highlights

Income Statement (INR Cr)	FY23	FY24	FY25E	FY26E
Revenue	16,301	16,769	18,227	19,868
Operating profit	2,831	3,170	3,485	3,837
Depreciation	(226)	(300)	(306)	(336)
Interest expense	(169)	(164)	(151)	(180)
Other income	216	214	214	234
Extraordinary income	0	3	0	0
Profit before tax	2,652	2,922	3,242	3,556
Taxes	(716)	(779)	(875)	(960)
Minorities and other	5	(3)	(3)	(3)
Reported Net profit	1,941	2,140	2,364	2,592
Balance Sheet (INR Cr)	FY23	FY24	FY25E	FY26E
Equity capital	24	24	24	24
Reserves	3,510	3,917	4,546	5,404
Net worth	3,534	3,942	4,571	5,428
Minority interest	30	25	25	25
Debt	3,554	2,628	3,178	3,728
Deferred tax liab (net)	(31)	(17)	(17)	(17)
Total liabilities	7,088	6,577	7,756	9,164
Fixed assets	2,472	2,603	2,303	2,392
Capital Work In Progress	105	188	175	192
Investments	3,840	3,351	3,574	3,896
Goodwill	128	130	130	130
Net working capital	344	(140)	(107)	(115)
Inventories	1,193	1,181	1,229	1,336
Sundry debtors	329	393	354	386
Loans & Advances	710	460	547	596
Other current assets	276	210	253	276
Sundry creditors	(1,449)	(1,627)	(1,761)	(1,915)
Other current liabilities & Prov	(715)	(757)	(729)	(795)
Cash	198	446	1,681	2,670
Total assets	7,088	6,577	7,756	9,164
Cash Flow Statement (INR Cr)	FY23	FY24	FY25E	FY26E
Profit before tax	2,652	2,922	3,242	3,556
Depreciation	226	300	306	336
Tax paid	(716)	(779)	(875)	(960)
Working capital Δ	498	484	(33)	8
Goodwill	11	(2)	-	-
Operating cashflow	2,670	2,926	2,640	2,940
Capital expenditure	(683)	(514)	6	(442)
Free cash flow	1,987	2,412	2,646	2,498
Equity raised	397	38	-	(0)
Investments	(1,604)	490	(223)	(322)
Debt financing/disposal	596	(926)	550	550
Dividends paid	(1,361)	(1,771)	(1,734)	(1,734)
Other items	(1)	5	(3)	(3)
Net Δ in cash	13	248	1,235	988
Opening Cash	185	198	446	1,681
Closing Cash	198	446	1,681	2,670

Source: Company & Arian Research

Ratios

Ratio Analysis	FY23	FY24	FY25E	FY26E
Growth matrix (%)				
Revenue growth	15.3	2.9	8.7	9.0
Op profit growth	28.6	12.0	9.9	10.1
EBIT growth	26.8	9.3	10.0	10.1
Net profit growth	28.0	10.3	10.4	9.7
Profitability ratios (%)				
OPM	17.4	18.9	19.1	19.3
EBIT margin	17.3	18.4	18.6	18.8
Net profit margin	11.9	12.8	13.0	13.0
RoCE	44.7	45.1	47.3	44.1
RoNW	63.7	57.3	55.5	51.9
RoA	26.1	25.5	26.3	25.0
Per share ratios				
EPS	80.6	88.8	98.1	107.6
Dividend per share	56.5	73.5	72.0	72.0
Cash EPS	89.9	101.3	110.8	121.6
Book value per share	146.7	163.6	189.7	225.3
Valuation ratios				
P/E	58.9	53.4	48.4	44.1
P/CEPS	52.8	46.8	42.8	39.0
P/B	32.3	29.0	25.0	21.1
EV/EBIDTA	41.6	36.8	33.2	30.1
Payout (%)				
Dividend payout	70.1	82.7	73.4	66.9
Tax payout	27.0	26.7	27.0	27.0
Liquidity ratios				
Debtor days	7	9	7	7
Inventory days	32	32	30	30
Creditor days	39	44	44	44
Leverage ratios				
Interest coverage	16.7	18.8	22.5	20.8
Net debt / equity	0.9	0.6	0.3	0.2
Net debt / op. profit	1.2	0.7	0.4	0.3
Du-Pont Analysis	FY23	FY24	FY25E	FY26E
Tax burden (x)	0.73	0.73	0.73	0.73
Interest burden (x)	0.94	0.95	0.96	0.95
EBIT margin (x)	0.17	0.18	0.19	0.19
Asset turnover (x)	2.19	2.00	2.03	1.92
Financial leverage (x)	2.44	2.25	2.11	2.07
RoE (%)	63.7	57.3	55.5	51.9

Source: Company & Arian 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

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

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