



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst Meet KTA's @ Dalal & Broacha

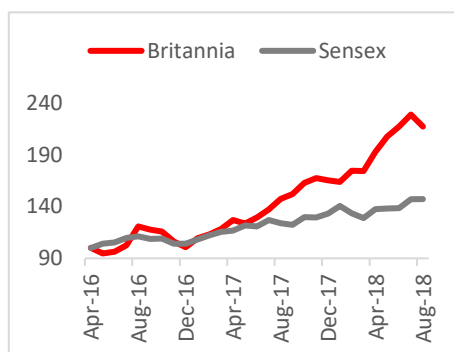
ACCUMULATE

Current Price	6299
52 Week Range	3979/6628

Key Share Data

Market Cap (Rs.bn)	757.57
Market Cap (US\$ mn)	11059
No of o/s shares (mn)	120
Face Value	2
Monthly Avg. vol(BSE+NSE) Nos'000	130.6
BSE Code	500825
NSE Code	BRITANNIA
Bloomberg	BRIT:IN

Price performance



% Shareholding	Jun-18	Mar-18
Promoters	50.70	50.70
Institutions	29.08	29.08
Others	20.22	20.22
Total	100.0	100.0

Britannia Analyst Meet KTA's

100th Year would be The Year of Innovation
New Logo launched "Exciting Goodness"

Britannia will re-launch its pillar brands

Focus on innovations in 2 ways

- 1) **plugging gaps** in existing portfolio
- 2) **truly path breaking**, new-to-market product formats.

'Good Day Wonderfulls' and 'Treat' were its biggest successes from the perspective of plugging portfolio gaps / disruptive innovation front, single biggest innovation of the year has been the launch of Pure Magic Deuce.

Other new to market products in FY18 include 'Berries & Nuts, Choco & Nuts and Butter Almond under a new sub brand "Good Day Wonderfulls" / Nutrichoice Oats Chocolate and Almond /

Extended innovation + Disruptive innovation @ 5% of Revenues

Premium category at affordable price: Chunkies @ Rs 20 and "Good day" wonderful @ Rs 15 (jeera and fruit version)/ Britannia is no.1 in premium segment (which is ~50% of biscuit market)

Low Unit Packs: 40-50% business is Rs5 to Rs10 pack.

Over 70% of Indian households consume Britannia products, which becomes 80% in urban India and a staggering 90%+ in metros

India's **biscuit market stands at 32,000crs** and is projected to grow at a CAGR of 11.27% in value terms, during 2018-2022 / premiumization and per capita consumption will drive growth

Opportunity Cakes to capture with 4new formats is 1/15th of biscuits category / penetration barely double digit/ skewed to East India/ Focus: Adoption by creating relevance and excitement

Rusks new launch 'Toastea' and also launched Multi-grain response is good

Adjacent Business:

Croissants: expected to do 200 to 250crs by 3 years

Cream Wafer new food category: is already present in international portfolio/ has good shelf life and affordability

Drive category with penetration and adoption

Dairy: Critical for Britannia as it fortays into 'Total Food Play'

Backward integration started with milk procurement since last 2-3 quartets (20500 litres per day already started procurement) / Once the factory start this procurement will go 10x to 15x Focus on Scalable, Profitable and differentiated product/ Milk base drink launch in Sept-18/ 4 main categories in focus are: cheese, yogurt, drinks, dairy whiteners/ Tetra pack milk product by Sept-18

International business: present in 79 countries /strategy is to open one new market every year / would be trying African Markets
Nepal Factory: is WIP

Strengths: 1bn packs a month, touch 77mn of Indian households (80 to 85%), brand of million Indians / Reach 5mn Retail outlets / 80% of senior management team from within/ *Market share gap reduced*with leader reduced to 3% from 6% in FY13

Financials (Rs. Mn)

Financials Consolidated Rs Mns

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	90,541	8	12,782	14.1	8,846	7	73.7	85	33	41
FY18	99,140	9	15,017	15.1	10,040	13	83.6	75	29	38
FY19E	114,011	15	17,757	15.6	12,772	27	106.4	59	30	36
FY20E	132,243	16	21,354	16.1	15,556	22	129.6	49	30	35



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Distribution Reach 18.4 lacs outlets in FY18 (As on date 19lac outlets) from 7.3 lacs in FY14/ Rural Distributors increased to 14400 in FY18 from 5500 in FY14 and growing at double digits

Weaker States:18-20% of contribution.

Rural business Q1FY19 continues to grow in double digit

Business Mix: Biscuits 70% Adjacencies 23% (include 5% dairy)

Plan to make the above 50:50

Rest is international.

Cost Efficiency Program FY19e maintained at similar levels at Rs 255crs / Distance travelled by products reduced from 650km to 375km over the years ,scope to bring it down to 250kms / Newer factories are more energy and power efficient / Wastage reduced by 70%, Trade Loads by 30% and returns by 30% over FY13 to FY18 /

Commodity cost: flat for Q1FY19 but prices have increased, company is hedged up to Jan-19

Going Forward growth factors:

Disruptive innovations in the core bakery categories of Biscuit, Cake and Rusk;

Expansion into adjacent bakery categories

Exploit the large and profitable international markets leveraging brand Britannia heritage and bakery expertise

Strengthening of footprint in hitherto weaker geographies in India e.g. North and Rural

Q1FY19 Result Highlights

Results in-line with expectations, with double digit volume growth

Net Revenues increased by 12.4% YoY to Rs 25438.3mn

EBIDTA rose by 18.5% YoY to Rs 3894mn, EBIDTA margins stood at 15.3% v/s 14.5% YoY mainly supported by lower raw materials cost.

Raw Materials to Revenues stood at 60% v/s 61.3% YoY key raw materials have remained stable

PAT increased by 19.4% YoY to Rs 2581mn.

Valuation and Outlook

At CMP of Rs. 6299, the stock trades at 59.4x FY19E EPS of Rs. 106 and 48.5x FY20E EPS of Rs. 130. The company has announced a split of shares to Face Value of Rs 1 each from Rs. 2 and recommended and approved issuance of Secured Redeemable Non- Convertible Debentures as Bonus Debentures of Rs. 60/- in the ratio of 1 Bonus Debenture for every 1 equity shares held

The management's clarity in-terms of future product launches, innovations and entrance in the newer segments with dedicated capex plans gives us confidence of growth to sustain.

We recommend investors to **Accumulate on Dips.**



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Particulars (Rs Mns)	Q1FY18	Q1FY19
Gross Sales	23009.3	
Less Excise Duty	-761.1	
Net Sales	22248.2	25272.4
<i>Growth</i>		13.6%
Other Op Income	388.80	165.90
<i>Growth</i>		-57.3%
Total OP Income	22637.0	25438.3
<i>Growth</i>		12.4%
Add: O. Income	352.0	420.1
<i>Growth</i>		19.3%
Total Income	22989.0	25858.4
EXPENDITURE		
Inc/Dec in stk	-255.6	120.7
Cons of R. Mat	-11580.9	-12709.7
Purch of Trad Goods	-2036.4	-2674.5
RAW MATERIALS	-13872.9	-15263.5
<i>Growth</i>		10.0%
<i>% of Op Income</i>	-61.3%	-60.0%
Employee Cost	-926.3	-1086.1
<i>Growth</i>		17.3%
<i>% of Op Income</i>	-4.1%	-4.3%
O. Exps	-4552.7	-5195.0
<i>Growth</i>		14.1%
<i>% of Op Income</i>	-20.1%	-20.4%
Total Expenditure	-19351.9	-21544.6
<i>Growth</i>		11.3%
EBIDTA	3637.10	4313.80
EBIDTA Less O. Inc	3285.10	3893.70
<i>Growth</i>		18.5%
EBIDTA MARGINS	14.5%	15.3%
Less Int	-12.7	-24.4
<i>Growth</i>		92.1%
Less Depn	-331.9	-356.4
<i>Growth</i>		7.4%
<i>Less Exceptional</i>		
PBT Before Exceptional	3292.50	3933.00
<i>Growth</i>		19.5%
PBT	3292.50	3933.00
Less Tax	-1132.80	-1351.80
TAX RATE	-34.4%	-34.4%
<i>Extraordinary Net</i>		
PAT	2159.70	2581.20
<i>Growth</i>		19.5%
PAT Adjusted	2159.70	2581.20
Share of Profit/Loss from Associate	1.5	-0.4
PAT Reportd	2161.20	2580.80
PAT Adjusted	2161.2	2580.8
<i>Growth</i>		19.4%
<i>NPM</i>	9.4%	10.0%
Other Comprehensive Income (net of Tax)	-3.8	51.6
Total Comprehensive Income	2157.4	2632.4
Equity	240	240.1
EPS (Reported PAT)	18.01	21.50
EPS (Adjusted PAT)	18.01	21.50
<i>Growth</i>		19.4%
OPM	14.5%	15.3%
NPM	9.4%	10.0%
Tax Rate	-34.4%	-34.4%
% to Operating Income		
Inc/Dec in stk	-1.1%	0.5%
Cons of R. Mat	-51.2%	-50.0%
Purch of Trad Goods	-9.0%	-10.5%
RAW MATERIALS	-61.3%	-60.0%
Employee Cost	-4.1%	-4.3%
O. Exps	-20.1%	-20.4%
Total	-85.5%	-84.7%



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