



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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Result Update@ Dalal & Broacha

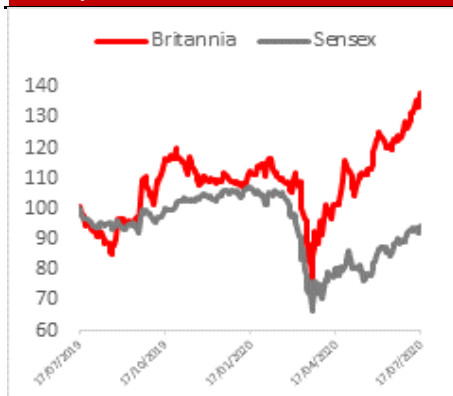
### Buy on Dips

Current Price	3784
52 Week Range	2100/3949
Target Price	3900
Upside	3%

### Key Share Data

Market Cap (Rs.bn)	910.61
Market Cap (US\$ mn)	12141.46
No of o/s shares (mn)	240.31
Face Value	1
Monthly Avg. vol	
(BSE+NSE) Nos'000	702.42
BSE Code	500825
NSE Code	BRITANNIA
Bloomberg	BRIT: IN

### Price performance



% Shareholding	Jun-20	Mar-20
Promoters	50.61	50.63
Public	49.39	49.37
Others	0.00	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Britannia Industries Q1FY21 results were better than expectations on all fronts. Volume growth for the quarter stood at 21.5%**

### Consolidated Results, compared YoY

**Revenue:** grew by 26.7% to Rs. 34206.7mn/Volume Growth: of 22% v/s 3% YoY

**Raw Material as % of sales** stood at 58.3% v/s 59.6% YoY and 60.3% QoQ

**Employee Costs** grew by 13.6% to Rs. 1369.5mn

**Other expenses:** as % of Sales stood at 16.7% v/s 21.3% YoY

**EBITDA:** grew by 81.7% to Rs. 7169.3mn/ Margins: stood at 20.96% v/s 14.62% YoY  
**PBT:** grew by 81% YoY to Rs. 7370.4mn (Other income grew by 38.9% to Rs. 936.8mn)

**PAT:** grew by 104% to Rs. 5457mn (\*Tax rate stood at 26.4% v/s 36.5% YoY)

**EPS:** of Rs. 22.69 v/s Rs. 11.11 YoY

### Conference Call Key Takeaways

1)**Demand:** currently sustaining, no significant downtrend witnessed. April & May 2020 grew by 20% & 28% respectively where as June 2020 grew by more than 25%. **Company grew ahead of competition aided by early restarting of factories and more visibility of their products compared to peers.**

2)**Growth Bifurcation:** of 26.5% in revenues came from (i) **volume growth** of 21.5%, (ii) **price growth:** 2.5% (**price increase will complete 1 year cycle in Q3**) and (iii) growth through **product Mix:** 2.5%.

3)**Product Priority:** was mainly Biscuits, Dairy, wafers, rusk, and any other category barring these were de-prioritized during lockdown period due to product constraints, labor shortage, and distribution disruptions. Sale of products of other categories and its different variants and SKU's has started from June 2020

4)**Margin Walkthrough:** (i) **Followed the "80-20" strategy** (20% of Brand brings 80% of revenues), where in higher sale of premium segment led by (Milk, Marie, Goodday biscuits), **Improvement in GPM (see point 5)**, (iii) **reduction in distance travelled:** from 375km to 325km (aided through direct selling from factories itself), (iv) **Reduction in A&P spends** led to 200bps improvement in margins, (vi) **distributor Inventory:** reduced by 50% and (vii) **zero wastage:** company had no write offs this quarter

5)**Margin Sustainance:** margins will be impacted once A&P spends are increased, but company each year saves ~2% of sales and efficiencies which are sustainable going forward. Current learnings will also be used to create more efficiencies going forward

### Financials (Consolidated)

Particulars	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	99,140	9	15,017	15.1	10,042	14	41.83	90.5	29	38
FY19	1,10,547	12	17,334	15.7	11,591	15	48.24	78.4	27	36
FY20	1,15,996	5	18,431.8	15.9	14,155	22	58.86	64.3	32	28
FY21e	1,31,890	14	23,914.4	18.1	18,480	31	76.84	49.2	32	30
FY22e	1,42,053	7.7	23,593.2	16.6	18,727.2	1.3	77.87	48.6	27	25



6) **Raw Material Inflation (QoQ)**: (i) **Flour**: Deflation of 3%, (ii) **Sugar**: inflation of 4%, (iii) **RPO**: Inflation of 23% (company witnessed softening towards end of quarter) and (iv) **Milk**: deflation of 7%. **Improvement in GPM was due to product mix (1-1.5%) and majorly deflation as seen above.**

7) **Reach increase from March 2020 to June 2020**: (i) **Direct Reach**: increased from 19.7 lac outlets to 21.5 lac outlets in June 2020 i.e increase of 9% in 3 months. (ii) **Rural Preferred Dealers (RPD)**: increased from 19,000 to 22,000 dealers in 3 months, i.e +16%, **Hindi Belt** registered strong double-digit growth.

8) **Channel**: (i) **Traditional Channel (~80% of revenues)**: grew 30% over and above company's overall growth rate, (ii) **Modern Trade**: was adversely impacted due to shutdowns, lockdowns, stringent government guidelines and **an under-stress Modern trade major** and (iii) **E-Commerce (1% of revenues)**: will continue its high growth momentum.

9) **Inter Corporate Deposits**: remains at the same level as in March 2020 i.e at ~Rs. 6bn ; although during the quarter **Go-Air** had completely paid back their ICD, leaving zero exposure to the company.

10) **Capex**: company has planned Capex of Rs. 7bn over next 2-3 years to add 5 new factories in U.P (became 2nd largest market for the company now, with no facility), Tamil Nadu and Orissa (will also increase capacity in the existing capex), Bihar and Uttaranchal and will also add few lines in their Ranjangaon facility. **Current Capacity** is unable to meet the current demand (company keeps only 10% headroom, but 26% growth is much higher). **This Capex is over an above the annual planned capex each year.**

11) **New Product Developments (2% of FY20 revenue)**: launched Wilkins Lassi and Rs. 5 Layered Cake which have received decent response in the current market. Cream Wafers is an exciting category growing at 40%+ and with newer varieties and SKU's.

**Outlook**: Current rise in demand is due to rise in Home consumption, strong brand presence and excellence in production and execution. It is difficult, to ascertain as to how long will the strong growth momentum continue, however **the learnings from the current situation has led significant sustainable fixed cost savings for the company and will help in margin gains over a longer period. Management guidance towards capex of Rs7bn in newer geographies gives us more confidence of the future prospects of the business.**

**Valuation**: At CMP of Rs 3784 the stock is trading at 49.2x its FY21e EPS of Rs 76.8 and 48.6x its FY22e EPS of Rs 78. These numbers do not factor in 20%+ growth in Q2FY21 (A high possibility but uncertain due to dynamic changes in demand). **We value the company at 50x FY22e EPS of Rs. 77.9 to arrive at a target price of Rs. 3900. We change our recommendation from HOLD to Buy on dips as we believe the strong momentum in demand along with management's capability towards fulfilment of the same definitely support the rich valuations of a business with 30%+ ROE and ROCE.**



## Quarterly Snapshot

Particulars (Rs Mns)			
Consolidated	Q1FY21	Q1FY20	Growth
Net Sales	33844.6	26773.2	26.4%
Other Op Income	362.1	230.3	57.2%
<b>Total OP Income</b>	<b>34206.7</b>	<b>27003.5</b>	<b>26.7%</b>
Add: O. Income	936.8	674.5	38.9%
<b>Total Income</b>	<b>35143.5</b>	<b>27678</b>	<b>27.0%</b>
RAW MATERIALS	-19959	-16091.6	24.0%
Employee Cost	-1369.5	-1205.7	13.6%
O. Exps	-5708.9	-5759.6	-0.9%
EBIDTA	8106.1	4621.1	75.4%
<b>EBIDTA Less O. Inc</b>	<b>7169.3</b>	<b>3946.6</b>	<b>81.7%</b>
Less Int	-256.1	-101	153.6%
Less Depn	-479.6	-447.8	7.1%
<i>Less Exceptional</i>	0	-156.1	
<b>PBT Before Exceptional</b>	<b>7370.4</b>	<b>4072.3</b>	<b>81.0%</b>
PBT	7370.4	3916.2	88.2%
Less Tax	-1943.7	-1430	35.9%
Share of Profit/Loss			
from Associate	1	0.2	400.0%
Minority Interest	0	0	
PAT Reportd	5427.7	2486.4	118.3%
<b>PAT Adjusted Owner Share</b>	<b>5457.9</b>	<b>2670</b>	<b>104.4%</b>
Equity	240.5	240.3	
<b>EPS ( Adjusted PAT)</b>	<b>22.7</b>	<b>11.1</b>	
OPM	21.0%	14.6%	
NPM	15.4%	9.0%	
Tax Rate	-26.4%	-35.1%	
<b>% to Operating Income</b>			
RAW MATERIALS	-58.3%	-59.6%	
Employee Cost	-4.0%	-4.5%	
O. Exps	-16.7%	-21.3%	
Total	-79.0%	-85.4%	



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P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Net Operating Income	99,139.9	1,10,546.7	1,15,995.5	1,31,889.9	1,42,053.1	Net Profit	10,042.3	11,591.2	14,026.3	18,480.2	18,727.2
Raw materials	(61,071.0)	(65,614.6)	(69,274.7)	(79,134.0)	(84,663.7)	Add: Dep. & Amort.	1,420.7	1,618.8	1,848.1	2,118.1	2,388.1
Employee costs	(4,016.0)	(4,418.2)	(4,866.9)	(5,450.9)	(5,996.0)	<b>Cash profits</b>	<b>11,463.0</b>	<b>13,210.0</b>	<b>15,874.4</b>	<b>20,598.3</b>	<b>21,115.4</b>
Other Expenses	(19,036.4)	(23,179.7)	(23,422.1)	(23,390.7)	(27,800.2)	(Inc)/Dec in					
Cost of sales	(84,123.4)	(93,212.5)	(97,563.7)	(1,07,975.6)	(1,18,459.9)	-Sundry debtors	(1,254.4)	(896.4)	738.8	(439.0)	(280.7)
<b>Operating Profit</b>	<b>15,016.5</b>	<b>17,334.2</b>	<b>18,431.8</b>	<b>23,914.4</b>	<b>23,593.2</b>	-Inventories	86.6	(1,285.9)	404.2	(1,624.0)	(696.1)
Depreciation	(1,420.7)	(1,618.8)	(1,848.1)	(2,118.1)	(2,388.1)	-Loans/advances	535.7	(2,829.7)	(1,507.3)	(360.1)	(385.3)
PBIT	13,595.8	15,715.4	16,583.7	21,796.2	21,205.1	-Sundry creditors	2,367.8	1,464.2	(242.3)	1,195.1	399.6
Other income	1,663.7	2,064.5	2,794.0	3,703.1	4,611.5	-Others	594.8	772.5	872.4	278.2	292.1
Interest	(75.9)	(90.9)	(769.0)	(942.3)	(943.4)	Change in working capital	2,330.5	(2,775.3)	265.8	(949.8)	(670.5)
Profit before tax	15,183.6	17,689.0	18,608.7	24,557.1	24,873.2	<b>CF from Oper. activities</b>	<b>13,793.5</b>	<b>10,434.7</b>	<b>16,140.2</b>	<b>19,648.5</b>	<b>20,444.9</b>
Extraordinary Items / Exceptio	-	-	(170.1)	-	-	<b>CF from Inv. activities</b>	<b>(10,928.6)</b>	<b>(8,000.0)</b>	<b>(17,299.5)</b>	<b>(6,000.0)</b>	<b>(6,000.0)</b>
Profit before tax (post Excep)	15,183.6	17,689.0	18,438.6	24,557.1	24,873.2	<b>CF from Fin. activities</b>	<b>(2,208.3)</b>	<b>(3,200.7)</b>	<b>1,289.6</b>	<b>(5,528.9)</b>	<b>(5,692.9)</b>
Provision for tax	(5,142.2)	(6,124.7)	(4,507.0)	(6,181.0)	(6,260.6)	<b>Cash generated/(utilised)</b>	<b>656.6</b>	<b>(766.0)</b>	<b>130.3</b>	<b>8,119.6</b>	<b>8,752.0</b>
<b>Reported PAT</b>	<b>10,041.4</b>	<b>11,564.3</b>	<b>13,931.6</b>	<b>18,376.1</b>	<b>18,612.6</b>	Cash at start of the year	1,207.6	1,864.2	1,098.2	1,228.5	9,348.1
Share of Pft and Loss of						Cash at end of the year	1,864.2	1,098.2	1,228.5	9,348.1	18,100.1
Associates and Minority Int	0.9	26.9	94.7	104.2	114.6	<b>Ratios</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
<b>Adjusted PAT</b>	<b>10,042.3</b>	<b>11,591.2</b>	<b>14,154.8</b>	<b>18,480.2</b>	<b>18,727.2</b>	OPM	15.1	15.7	15.9	18.1	16.6
<b>Balance Sheet</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	NPM	10.0	10.3	11.9	13.6	12.8
Equity capital	240.1	240.3	240.5	240.5	240.5	Tax rate	(33.9)	(34.6)	(24.4)	(25.2)	(25.2)
Reserves	33,822.2	42,292.2	43,787.8	56,739.8	69,864.8	<b>Growth Ratios (%)</b>					
<b>Net worth</b>	<b>34,062.3</b>	<b>42,532.5</b>	<b>44,028.3</b>	<b>56,980.3</b>	<b>70,105.3</b>	Net Sales	9.5	11.5	4.9	13.7	7.7
Def. Tax Liab.+Minority Int.	131.4	326.8	356.5	455.8	565.1	Operating Profit	17.5	15.4	6.3	29.7	(1.3)
Secured loans	845.7	619.2	7,660.6	7,560.6	7,460.6	PAT	13.5	15.4	22.1	30.6	1.3
Unsecured loans	936.5	761.0	7,479.9	7,479.9	7,379.9	<b>Per Share (Rs.)</b>					
Total debt	1,782.2	1,380.2	15,140.5	15,040.5	14,840.5	Net Earnings (EPS)	42	48	59	76.8	77.9
<b>CAPITAL EMPLOYED</b>	<b>35,975.9</b>	<b>44,239.5</b>	<b>59,525.3</b>	<b>72,476.6</b>	<b>85,510.9</b>	Cash Earnings (CPS)	48	55	66	86	88
Gross block	15,269.9	20,294.0	23,954.9	27,454.9	30,954.9	Dividend	12.5	15.0	35.0	23.0	23.3
Accumulated depreciation	(3,095.9)	(4,714.7)	(6,562.8)	(8,680.9)	(11,069.1)	Book Value	141.9	177.0	183.1	236.9	291.5
Net block	12,174.0	15,579.3	17,392.1	18,774.0	19,885.8	Free Cash Flow	11.93	10.13	(4.82)	56.75	60.06
Capital WIP	2,028.2	1,012.4	395.5	395.5	395.5	<b>Valuation Ratios</b>					
<b>Total fixed assets</b>	<b>14,202.2</b>	<b>16,591.7</b>	<b>17,787.6</b>	<b>19,169.5</b>	<b>20,281.3</b>	P/E(x)	<b>90.5</b>	<b>78.4</b>	<b>64.3</b>	<b>49.2</b>	<b>48.6</b>
Goodwill	1,282.0	1,303.7	1,389.7	1,389.7	1,389.7	P/B(x)	26.7	21.4	20.7	16.0	13.0
Investments	10,792.8	14,762.8	28,932.3	31,432.3	33,932.3	EV/EBIDTA(x)	59.9	51.7	48.6	37.4	37.8
Inventories	6,527.9	7,813.8	7,409.6	9,033.6	9,729.7	Div. Yield(%)	0.3	0.4	0.9	0.6	0.6
Sundry debtors	3,046.0	3,942.4	3,203.6	3,642.6	3,923.3	<b>FCF Yield(%)</b>	<b>0.3</b>	<b>0.3</b>	<b>(0.1)</b>	<b>1.5</b>	<b>1.6</b>
Cash & bank	1,864.2	1,098.2	1,228.5	9,348.1	18,100.1	<b>Return Ratios (%)</b>					
Loans & advances	9,785.8	12,229.4	13,130.6	13,130.6	13,130.6	ROE	29.5	27.3	32.1	32.4	26.7
Other current assets	4,152.6	4,538.7	5,144.8	5,504.9	5,890.3	ROCE	37.8	35.5	27.9	30.1	24.8
Sundry creditors	(9,940.9)	(11,405.1)	(11,162.8)	(12,357.9)	(12,757.5)						
O. Current Liabilities	(4,084.0)	(4,655.3)	(5,563.1)	(5,841.3)	(6,133.3)						
Provisions	(1,878.4)	(2,079.6)	(2,044.2)	(2,044.2)	(2,044.2)						
<b>Working capital</b>	<b>9,473.2</b>	<b>11,482.5</b>	<b>11,347.0</b>	<b>20,416.4</b>	<b>29,838.9</b>						
Deferred Tax Assets	225.7	98.8	68.7	68.7	68.7						
<b>CAPITAL DEPLOYED</b>	<b>35,975.9</b>	<b>44,239.5</b>	<b>59,525.3</b>	<b>72,476.6</b>	<b>85,510.9</b>						



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