



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia 022 67141442

Result Update@ Dalal & Broacha

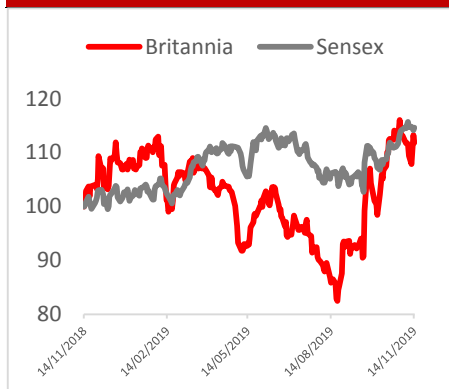
HOLD

Current Price	3195
52 Week Range	2302/3444
Target Price	3361
Upside	5%

Key Share Data

Market Cap (Rs.bn)	768.35
Market Cap (US\$ mn)	10821.83
No of o/s shares (mn)	240.31
Face Value	1
Monthly Avg. vol(BSE+NSE) Nos'000	501.14
BSE Code	500825
NSE Code	BRITANNIA
Bloomberg	BRIT: IN

Price performance



% Shareholding	Sept-19	Jun-19
Promoters	50.66	50.66
Public	49.34	49.34
Others	0.00	0.00
Total	100.0	100.0

Britannia Q2FY20 consolidated results were better than expectations on profitability front

Net Revenues grew by 6.2% YoY to Rs 30488.4mn

EBIDTA grew by 8.3% YoY to Rs 4922mn.

EBIDTA margins 16.1% as against 15.8% YoY

Raw Material to Revenues stood at 59.8% as against 60% YoY (moderate inflation in the prices of key raw materials of bakery business, and inordinate increase in milk prices which impacted dairy business)

Employee Costs grew by 14.4% to Rs. 1236.2mn YoY

Other expenses grew by 3.8% YoY to Rs. 6088.8mn/ As % to Revenues at 20% as against 20.4%

Other Income grew by 55% YoY to Rs 681.5mn

Exceptional Item: Rs.11.2mn on account of voluntary retirement scheme cost.

PBT Before exceptional items: grew by 8.8% to Rs. 4993.5mn

Tax rate stood at 19.1% as against 34%

Adjusted PAT grew by 33.8% to Rs. 4053.3mn

EPS on adjusted PAT stood at Rs 16.87 as against Rs. 12.62

Conference Call KTA

Demand scenario remains challenging and has to postpone some launches as it was creating in-efficiency in the system.

Rural & Urban: For Britannia rural still grows faster. However industry wise rural growth is slower than urban.

Revenue split Biscuits currently at 75% would reduce to 70% in next 2 years. Contribution of new products stands at 3%

New Launches limited edition of tiramisu treats, Red velvet treat / **Test launch** little hearts strawberry / **re-launched** Nutrchoice cracker

Update on New Category launches:

1. Waffer biscuits: now No.3 brand, good traction received and has market share of over 10%
2. Salty snacks: from Q1 to Q2 has witnessed good traction / currently only available in South India / with Ranjangaon plant now commercialised will also be launched in west
3. Milk Shakes: has attained 20% market share and is the no.2 brand within a year of launch
4. Crossiant: some back-end issue / launched in West Bengal, Tamil Nadu and Modern Trade

Financials Consolidated Rs Mns

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	99,140	9	15,017	15.1	10,040	13	41.8	76	29	38
FY19	1,10,547	12	17,334	15.7	11,555	15	48	66	27	36
FY20E	1,19,633.8	8	18,270.3	15.3	13,582	18	57	57	32	29
FY21E	1,35,157.1	13	20,953.3	15.5	16,154	19	67	48	30	28



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Network Strength:

Direct Reach 2.13mn v/s 2.1mn QoQ / Rural distribution 20,000 v/s 18,000 QoQ / Wholesale contributes 33%.

Competition market share gap between Britannia and largest competitor widens, Britannia has gained market share

Inflation overall 3%: Flour grew by 3% , Sugar grew by 1%, RPO de- grew by 13% and Milk grew by 37%

Margins

Forward covers on inventory taken up to Feb-2020

Inflation in commodity is expected to remain benign and the company is ready to take additional price increases if required.

Ranjangaon 12-lines, 1, 40,000 tonnes per annum and is fully operational

In-house manufacturing stands at 60%

Capex: Rs. 1.7bn utilized in H1FY20. Management has reduced capex guidance for the full year.

Inter Corporate Deposits: stands at Rs 4.5bn as against Rs. 5bn in Q1FY20.

Outlook and Valuation: Britannia has been hit by the on-going slowdown in the economy and slowing growth in the rural side of India which is reflective in the company's results. We believe that revival is still a while away evident from the fact that company has postponed some new launches and reduced capex guidance for the current year. The company in this difficult economic situation continues to work on cost efficiencies and is confident on maintaining margins at current levels. Reduction in ICDs' could be a short term trigger for the stock. At price of Rs.3195, the company trades at 56.63x and 47.53x FY20e and FY21e EPS of Rs. 56.53 and Rs. 47.53 respectively. **We assign a P/E multiple of 50x FY21e EPS to arrive at a target price of Rs. 3361 i.e. upside of 5%. We revise our rating from Accumulate to Hold as there is limited upside in the short term.**



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Particulars (Rs Mns)	Q2FY19	Q2FY20	H1FY19	H1FY20
Consolidated				
Gross Sales				
Less Excise Duty				
Net Sales	28548.1	30229.1	53820.5	57002.3
<i>Growth</i>		5.9%		6%
Other Op Income	147.80	259.30	313.7	489.4
<i>Growth</i>		75.4%		56%
Total OP Income	28695.9	30488.4	54134.2	57491.7
<i>Growth</i>		6.2%		6%
Add: O. Income	439.6	681.5	859.7	1356.0
<i>Growth</i>		55.0%		58%
Total Income	29135.5	31169.9	54993.9	58847.7
EXPENDITURE				
Inc/Dec in stk	-103.1	-55.6	17.6	148.1
Cons of R. Mat	-14387.3	-15599.5	-27097.0	-29275.6
Purch of Trad Goods	-2714.4	-2586.3	-5388.9	-5205.5
RAW MATERIALS	-17204.8	-18241.4	-32468.3	-34333.0
<i>Growth</i>		6.0%		6%
<i>% of Op Income</i>	-60.0%	-59.8%	-60.0%	-59.7%
Employee Cost	-1080.4	-1236.2	-2166.5	-2441.9
<i>Growth</i>		14.4%		13%
<i>% of Op Income</i>	-3.8%	-4.1%	-4.0%	-4.2%
O. Exps	-5867.1	-6088.8	-11062.1	-11848.2
<i>Growth</i>		3.8%		7%
<i>% of Op Income</i>	-20.4%	-20.0%	-20.4%	-20.6%
Total Expenditure	-24152.3	-25566.4	-45696.9	-48623.1
<i>Growth</i>		5.9%		6%
EBIDTA	4983.20	5603.50	9297.00	10224.60
EBIDTA Less O. Inc	4543.60	4922.00	8437.30	8868.60
<i>Growth</i>		8.3%		5%
EBIDTA MARGINS	15.8%	16.1%	15.6%	15.4%
Less Int	-24.2	-161.4	-48.6	-262.4
<i>Growth</i>		566.9%		440%
Less Depn	-369.3	-448.6	-725.7	-896.4
<i>Growth</i>		21.5%		24%
Less Exceptional		-11.2	0.0	-167.3
PBT Before Exceptional	4589.70	4993.50	8522.70	9065.80
<i>Growth</i>		8.8%		6%
PBT	4589.70	4982.30	8522.70	8898.50
<i>Growth</i>		8.6%		4%
Less Tax	-1558.90	-955.10	-2910.7	-2385.1
TAX RATE	-34.0%	-19.1%	-34.2%	-26.8%
Extraordinary Net			0.0	0.0
PAT	3030.80	4027.20	5612.00	6513.40
<i>Growth</i>		32.9%		16%
PAT Adjusted	3030.80	4027.20	5612.00	6513.40
Share of Profit/Loss from Associate	-0.5	0.1	-0.9	0.3
PAT Reportd	3030.30	4027.30	5611.10	6513.70
PAT Adjusted Owner Share	3029.7	4053.3	5611.9	6723.3
<i>Growth</i>		33.8%		20%
<i>NPM</i>	10.4%	13.0%		
Non Controlling Int	0.60	-14.90	-0.80	-38.8
NPAT	3029.7	4042.2	5611.9	6552.5



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P&L (Rs mn)	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY17	FY18	FY19	FY20E	FY21E
Net Operating Income	90,540.9	99,139.9	1,10,546.7	1,19,633.8	1,35,157.1	Net Profit	8,846.1	10,039.6	11,554.6	13,743.7	16,153.8
Raw materials	(55,886.8)	(61,071.0)	(65,614.6)	(70,942.9)	(80,013.0)	Add: Dep. & Amort.	1,192.7	1,420.7	1,618.8	1,813.5	2,082.8
Employee costs	(3,526.1)	(4,016.0)	(4,418.2)	(4,904.2)	(5,443.7)	Cash profits	10,038.8	11,460.3	13,173.4	15,557.2	18,236.6
Other Expenses	(18,346.2)	(19,036.4)	(23,179.7)	(25,516.5)	(28,747.2)	(Inc)/Dec in					
Cost of sales	(77,759.1)	(84,123.4)	(93,212.5)	(1,01,363.5)	(1,14,203.8)	-Sundry debtors	(85.5)	(1,254.4)	(896.4)	(324.1)	(553.6)
Operating Profit	12,781.8	15,016.5	17,334.2	18,270.3	20,953.3	-Inventories	(2,208.0)	86.6	(1,285.9)	(1,035.8)	(407.7)
Depreciation	(1,192.7)	(1,420.7)	(1,618.8)	(1,813.5)	(2,082.8)	-Loans/advances	(5,255.0)	535.7	(2,829.7)	2,284.8	(1,448.3)
PBIT	11,589.1	13,595.8	15,715.4	16,456.8	18,870.5	-Sundry creditors	(117.7)	2,367.8	1,464.2	(326.4)	1,416.4
Other income	1,505.4	1,663.7	2,064.5	2,584.0	3,385.6	-Others	298.8	594.8	772.5	606.3	367.1
Interest	(54.5)	(75.9)	(90.9)	(716.2)	(653.0)	Change in working capital	(7,367.4)	2,330.5	(2,775.3)	1,204.8	(626.2)
Profit before tax	13,040.0	15,183.6	17,689.0	18,324.6	21,603.1	CF from Oper. activities	2,671.4	13,790.8	10,398.1	16,762.0	17,610.4
Extraordinary Items	-	-	-	167.3	-	CF from Inv. activities	325.1	(10,928.6)	(8,000.0)	(6,645.8)	(7,500.0)
Profit before tax (post Excep)	13,040.0	15,183.6	17,689.0	18,491.9	21,603.1	CF from Fin. activities	(2,665.4)	(2,205.6)	(3,164.1)	(1,371.4)	(5,828.0)
Provision for tax	(4,196.7)	(5,142.2)	(6,124.7)	(4,570.2)	(5,437.5)	Cash generated/(utilised)	331.1	656.6	(766.0)	8,744.9	4,282.4
Reported PAT	8,843.3	10,041.4	11,564.3	13,921.7	16,165.6	Cash at start of the year	876.5	1,207.6	1,864.2	1,098.2	9,843.1
Share of Pft and Loss of Associates and Minority Int	2.8	(1.8)	(9.7)	(10.7)	(11.7)	Cash at end of the year	1,207.6	1,864.2	1,098.2	9,843.1	14,125.5
Adjusted PAT	8,846.1	10,039.6	11,554.6	13,581.6	16,153.8	Ratios	FY17	FY18	FY19	FY20E	FY21E
Balance Sheet	FY17	FY18	FY19	FY20E	FY21E	OPM	14.1	15.1	15.7	15.3	15.5
Equity capital	240.0	240.1	240.3	240.3	240.3	NPM	9.6	10.0	10.3	11.1	11.7
Reserves	26,724.2	33,822.2	42,292.2	42,590.8	53,090.8	Tax rate	(32.2)	(33.9)	(34.6)	(24.7)	(25.2)
Net worth	26,964.2	34,062.3	42,532.5	42,831.1	53,331.1	Growth Ratios (%)					
Def. Tax Liab.+Minority Int.	26.0	131.4	326.8	326.8	326.8	Net Sales	7.8	9.5	11.5	8.2	13.0
Secured loans	314.0	845.7	619.2	7,741.8	7,741.8	Operating Profit	5.3	17.5	15.4	5.4	14.7
Unsecured loans	843.1	936.5	761.0	5,817.1	5,717.1	PAT	7.3	13.5	15.1	17.5	18.9
Total debt	1,157.1	1,782.2	1,380.2	13,558.9	13,458.9	Per Share (Rs.)					
CAPITAL EMPLOYED	28,147.3	35,975.9	44,239.5	56,716.8	67,116.8	Net Earnings (EPS)	37	42	48	57	67
Gross block	11,996.7	15,269.9	20,294.0	23,931.3	28,931.3	Cash Earnings (CPS)	42	48	55	65	76
Accumulated depreciation	(1,675.2)	(3,095.9)	(4,714.7)	(6,528.2)	(8,611.0)	Dividend	11.0	12.5	15.0	16.9	20.1
Net block	10,321.5	12,174.0	15,579.3	17,403.1	20,320.3	Book Value	112.4	141.9	177.0	178.2	221.9
Capital WIP	300.7	2,028.2	1,012.4	1,116.7	1,116.7	Free Cash Flow	12.49	11.92	9.98	42.10	42.07
Total fixed assets	10,622.2	14,202.2	16,591.7	18,519.8	21,437.0	Valuation Ratios					
Goodwill	1,278.4	1,282.0	1,303.7	1,327.2	1,327.2	P/E(x)	86.7	76.4	66.4	56.5	47.5
Investments	4,868.5	10,792.8	14,762.8	17,643.5	20,143.5	P/B(x)	28.4	22.5	18.1	17.9	14.4
Inventories	6,614.5	6,527.9	7,813.8	8,849.6	9,257.3	EV/EBITDA(x)	59.7	50.5	43.5	41.8	36.3
Sundry debtors	1,791.6	3,046.0	3,942.4	4,266.5	4,820.1	Div. Yield(%)	0.3	0.4	0.5	0.5	0.6
Cash & bank	1,207.6	1,864.2	1,098.2	9,843.1	14,125.5	FCF Yield(%)	0.4	0.4	0.3	1.3	1.3
Loans & advances	8,750.2	9,785.8	12,229.4	9,317.6	10,249.4	Return Ratios (%)					
Other current assets	5,723.9	4,152.6	4,538.7	5,165.7	5,682.3	ROE	32.8	29.5	27.2	31.7	30.3
Sundry creditors	(7,573.1)	(9,940.9)	(11,405.1)	(11,078.7)	(12,495.2)	ROCE	41.2	37.8	35.5	29.0	28.1
O. Current Liabilities	(3,466.8)	(4,084.0)	(4,655.3)	(5,140.6)	(5,397.6)						
Provisions	(1,900.8)	(1,878.4)	(2,079.6)	(2,200.6)	(2,310.6)						
Working capital	11,147.1	9,473.2	11,482.5	19,022.5	23,931.1						
Deferred Tax Assets	231.1	225.7	98.8	203.8	278.0						
Miscellaneous exp.	-	-	-	-	-						
CAPITAL DEPLOYED	28,147.3	35,975.9	44,239.5	56,716.8	67,116.8						



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