



**Britannia Consolidated Q3FY21 results were in-line with expectations.**

- **Revenue increased by 6.1% YoY** to Rs 31656mn, volume growth YTD stood at 11%
- **EBIDTA increased by 21.8% YoY** to Rs 6115.2mn and EBIDTA margins 19.3% v/s 16.8% YoY and 19.8% QoQ
- **PAT increased by 22.3% YoY** to Rs 4557.5mn

#### Other Details

- **Raw Materials to Revenue stood at 56.9% v/s 59.1% YoY** and 57.5% QoQ
- **Employee expense increased by 8.4% YoY basis**
- **Other Expenses to Revenue stood at 19.6% v/s 19.9% YoY** and 18.8% QoQ. **Higher utilization improved efficiency and savings on costs** such as advertisement and travel led to the YoY reduction in O. expenses
- **PBT increased by 23.5% YoY**

#### Conference Call and Other Highlights

##### 1. Demand current and going forward:

- General Trade and Rural trade remained robust (rural growth was above pre-covid levels)
- Modern trade & institutional remain muted will take ~2 quarters to pick-up. Urban and large metros are still lower than rural and smaller towns. (E-commerce contribution ~1% and M. trade ~10%)
- Pantry stocking witnessed during 1st, 2 quarters have normalized
- International business M. East and Africa grew quite well
- **Dairy:** cheese continued double-digit growth / OOH related products i.e. lassi and mil-shakes remain slow

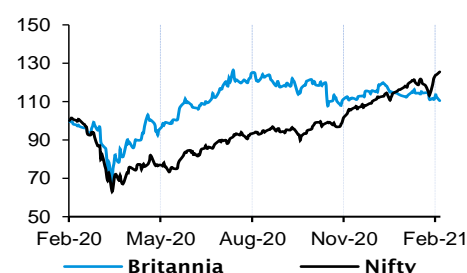
Rating	TP (Rs)	Up/Dn (%)
<b>ACCUMULATE</b>	<b>3937</b>	<b>13</b>

#### Market data

<b>Current price</b>	<b>Rs</b>	<b>3,473</b>
Market Cap (Rs.Bn)	(Rs Bn)	839
Market Cap (US\$ Mn)	(US\$ Mn)	11490
Face Value	Rs	1
52 Weeks High/Low	Rs	4015/2101
Average Daily Volume	(000)	1190
BSE Code		500825
Bloomberg		BRIT:IN

Source: Bloomberg

#### One Year Performance



Source: Bloomberg

% Shareholding	Dec-20	Sep-20
Promoters	50.55	50.58
Public	49.45	49.42
Others	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

#### Financial Summary

Y/E Mar (Rs n	FY19	FY20	FY21E	FY22E	FY23E
Net sales	110,547	115,996	130,808	141,062	152,265
EBIDTA	17,334	18,432	25,434	24,785	27,300
Margins	15.7	15.9	19.4	17.6	17.9
PAT (adj)	11,591	14,155	19,387	18,606	21,069
growth (%)	15.4	22.1	37.0	(4.0)	13.2
EPS	48.2	58.9	80.5	77.3	87.5
P/E (x)	72.0	59.0	43.1	44.9	39.7
P/B (x)	19.6	19.0	22.9	18.3	14.8
EV/EBITDA (x)	47.4	44.6	32.9	33.6	30.2
RoE (%)	27.3	32.1	53.2	40.7	37.4
ROCE (%)	35.5	27.9	38.2	32.8	32.9

Source: Dalal and Broacha

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**Continued**

- Bakery Adjacency Breads profitability improved || rusk grew in double digit || Cakes being urban centric growth was muted

**Growth for next fiscal (considering very high-base) would moderate and return to pre-covid levels.**

**2. Wafer biscuits:**

- Grew by 30% || Britannia is no.2 player in the category and no.1 in distribution || Plant is set-up in Tamil Nadu for Wafer Biscuits

**3. Efficiency Pre-Covid and Current**

- Factory productivity @ 1.07x
- Wastage @ 0.7x
- Direct dispatches @ 1.5x || Direct dispatches @ 22% v/s 8% earlier (helps reducing transport costs)
- Depot space utilization 10% improved

**4. Market Share:**

- Britannia has gained market share since 36-37qtrs || Direct reach which had reduced to 19.7 lac (from 21 lacs in Mar-19)
- Outlets in Mar-20 is back to 22.9 lacs in Dec-20 || Rural distribution stands @ 23K Dec-20 v/s 19K Mar-20

**Britannia and 2<sup>nd</sup> largest players both gained market share in these difficult times**

**5. Hindi Belt:**

- Over 2017-18 has grown between 30% to 60% till date || Britannia's Hindi market share is equal to half of its national average v/s 1/3rd few years back. Hindi belt is 35% of overall market (and has still more room to grow)

**6. New launches**

- **New Launches were muted YTD** since management focused on getting all SKU's at normal levels

**7. COSTS**

- Pillar brands back on air & || hence advertisement cost might normalize
- Fuel reduction 35% since 2013-14 || renewable power to reach 45% by 2021
- Inflation: Sugar +1% || Flour +7% || RPO +25% || Milk -15%

**Inflation remained under control with only palm oil prices rising**

**8. CAPEX**

- **Capex** for FY21 stands at 20bn (~ 60% of normal) in FY21 || Dairy project going as per plans
- (Ranjangaon total capex stands @ Rs 15bn of which 7bn is already done, would be completed by 2024.

## Quarterly Financials

Particulars (Rs Mns)						
Consolidated	Q3FY21	Q3FY20	Growth	9MFY21	9MFY20	Growth
Net Sales	31,061.0	29,359.8	5.8%	98,449.1	86,362.1	14.0%
Other Op Income	595.1	467.0	27.4%	1,604.8	956.4	67.8%
<b>Total OP Income</b>	<b>31,656.1</b>	<b>29,826.8</b>	<b>6.1%</b>	<b>100,053.9</b>	<b>87,318.5</b>	<b>14.6%</b>
Add: O. Income	825.6	651.8	26.7%	2,496.8	2,007.8	24.4%
<b>Total Income</b>	<b>32,481.7</b>	<b>30,478.6</b>	<b>6.6%</b>	<b>102,550.7</b>	<b>89,326.3</b>	<b>14.8%</b>
RAW MATERIALS	(18,014.4)	(17,641.8)	2.1%	(57,624.8)	(51,974.8)	10.9%
Employee Cost	(1,317.6)	(1,216.0)	8.4%	(4,031.8)	(3,657.9)	10.2%
O. Exps	(6,208.9)	(5,948.6)	4.4%	(18,358.3)	(17,796.8)	3.2%
EBIDTA	6,940.8	5,672.2	22.4%	22,535.8	15,896.8	41.8%
<b>EBIDTA Less O. Inc</b>	<b>6,115.2</b>	<b>5,020.4</b>	<b>21.8%</b>	<b>20,039.0</b>	<b>13,889.0</b>	<b>44.3%</b>
Less Int	(317.9)	(236.7)	34.3%	(872.1)	(499.1)	74.7%
Less Deprn	(485.8)	(467.0)	4.0%	(1,450.3)	(1,363.4)	6.4%
<i>Less Exceptional</i>	-	-		(6.1)	(167.3)	
<b>PBT Before Exceptio</b>	<b>6,137.1</b>	<b>4,968.5</b>	<b>23.5%</b>	<b>20,213.4</b>	<b>14,034.3</b>	<b>44.0%</b>
PBT	6,137.1	4,968.5	23.5%	20,207.3	13,867.0	45.7%
Less Tax	(1,610.9)	(1,272.7)	26.6%	(5,304.4)	(3,657.8)	45.0%
Share of Profit/Loss from Associate	0.2	3.0	-93.3%	2.3	3.3	-30.3%
Minority Interest	-	-		-	-	
PAT Reportd	4,526.4	3,698.8	22.4%	14,905.2	10,212.5	46.0%
<b>PAT Adjusted Owner Share</b>	<b>4,557.5</b>	<b>3,726.3</b>	<b>22.3%</b>	<b>15,000.3</b>	<b>10,402.8</b>	<b>44.2%</b>
Equity	240.7	240.5		240.7	240.5	
<b>EPS ( Adjusted PAT)</b>	<b>18.9</b>	<b>15.5</b>		<b>62.3</b>	<b>43.3</b>	
OPM	19.3%	16.8%		20.0%	15.9%	
NPM	13.9%	12.1%		14.5%	11.4%	
Tax Rate	-26.2%	-25.6%		-26.2%	-26.4%	
<b>% to Operating Income</b>						
RAW MATERIALS	-56.9%	-59.1%		-57.6%	-59.5%	
Employee Cost	-4.2%	-4.1%		-4.0%	-4.2%	
O. Exps	-19.6%	-19.9%		-18.3%	-20.4%	
Total	-80.7%	-83.2%		-80.0%	-84.1%	

Volume growth YTD 11%

Raw Materials inflation remained muted

Source: Dalal & Broacha Research, Company

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## Valuation & Outlook

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Going forward management endeavor is to keep margins at similar levels, with focus on innovation as well as gain market share concentrating on the affordability aspect.

*Considering the high base in H1FY21 of 18% growth, topline growth would be get back to single digit levels.*

On a long-term perspective Britannia's scope for growth through market share gains in Hindi Belt, innovative & adjacent product launches is huge. With the strong distribution strength and brand-name it has achieved various milestones in the past and will continue to do so in the future.

Britannia has a strong balance sheet with ROE and ROCE above 30%.

**At CMP of Rs 3472 it is trading at 45x FY22e EPS of Rs 77.3 and 40x FY23e EPS of Rs 87.5. We maintain ACCUMULATE rating on the stock with a target price of Rs 3937 (45x FY23 EPS)**

# Financials

P&L (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Operating Income	110,546.7	115,995.5	130,808.3	141,061.9	152,264.7
Raw materials	(65,614.6)	(69,274.7)	(75,616.8)	(82,944.4)	(88,618.1)
Employee costs	(4,418.2)	(4,866.9)	(5,380.0)	(5,864.2)	(6,450.6)
Other Expenses	(23,179.7)	(23,422.1)	(24,377.4)	(27,468.0)	(29,896.1)
Cost of sales	(93,212.5)	(97,563.7)	(105,374.3)	(116,276.6)	(124,964.8)
<b>Operating Profit</b>	<b>17,334.2</b>	<b>18,431.8</b>	<b>25,434.0</b>	<b>24,785.2</b>	<b>27,300.0</b>
Depreciation	(1,618.8)	(1,848.1)	(1,950.0)	(2,189.9)	(2,429.7)
PBIT	15,715.4	16,583.7	23,484.0	22,595.4	24,870.2
Other income	2,064.5	2,794.0	3,444.8	3,592.7	4,074.1
Interest	(90.9)	(769.0)	(1,189.7)	(1,510.0)	(993.3)
Profit before tax	17,689.0	18,608.7	25,739.0	24,678.1	27,951.0
Extraordinary Items /Except	-	(170.1)	-	-	-
Profit before tax (post Excep	17,689.0	18,438.6	25,739.0	24,678.1	27,951.0
Provision for tax	(6,124.7)	(4,507.0)	(6,478.5)	(6,211.5)	(7,035.3)
<b>Reported PAT</b>	<b>11,564.3</b>	<b>13,931.6</b>	<b>19,260.5</b>	<b>18,466.6</b>	<b>20,915.7</b>
Share of Pft and Loss of Associates and Minority Int	26.9	94.7	126.8	139.5	153.5
<b>Adjusted PAT</b>	<b>11,591.2</b>	<b>14,154.8</b>	<b>19,387.4</b>	<b>18,606.2</b>	<b>21,069.2</b>

Cash Flow St. (Rs. mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Profit	11,591.2	14,026.3	19,387.4	18,606.2	21,069.2
Add: Dep. & Amort	1,618.8	1,848.1	1,950.0	2,189.9	2,429.7
<b>Cash profits</b>	<b>13,210.0</b>	<b>15,874.4</b>	<b>21,337.4</b>	<b>20,796.0</b>	<b>23,498.9</b>
(Inc)/Dec in					
-Sundry debtors	(896.4)	738.8	(409.1)	(283.2)	(309.4)
-Inventories	(1,285.9)	404.2	(1,908.2)	(730.4)	(798.0)
-Loans/advances	(2,829.7)	(1,507.3)	1,284.3	(423.3)	(452.9)
-Sundry creditors	1,464.2	(242.3)	853.0	482.6	854.9
-Others	772.5	872.4	1,024.2	326.2	342.5
Change in working capital	(2,775.3)	265.8	844.2	(628.0)	(362.9)
<b>CF from Oper. activities</b>	<b>10,434.7</b>	<b>16,140.2</b>	<b>22,181.5</b>	<b>20,168.0</b>	<b>23,136.0</b>
<b>CF from Inv. activities</b>	<b>(8,000.0)</b>	<b>(17,299.5)</b>	<b>218.8</b>	<b>(6,000.0)</b>	<b>(6,000.0)</b>
<b>CF from Fin. activities</b>	<b>(3,200.7)</b>	<b>1,289.6</b>	<b>(17,459.1)</b>	<b>(11,168.9)</b>	<b>(14,387.0)</b>
<b>Cash generated/(utilised)</b>	<b>(766.0)</b>	<b>130.3</b>	<b>4,941.2</b>	<b>2,999.1</b>	<b>2,749.0</b>
Cash at start of the year	1,864.2	1,098.2	1,228.5	6,169.7	9,168.8
Cash at end of the year	1,098.2	1,228.5	6,169.7	9,168.8	11,917.8

Balance Sheet	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	240.3	240.5	240.7	240.7	240.7
Reserves	42,292.2	43,787.8	36,222.6	45,525.6	56,060.2
<b>Net worth</b>	<b>42,532.5</b>	<b>44,028.3</b>	<b>36,463.3</b>	<b>45,766.3</b>	<b>56,300.9</b>
Def. Tax Liab.+Minority Int.	326.8	356.5	478.5	612.7	760.3
Secured loans	619.2	7,660.6	7,569.7	6,569.7	4,569.7
Unsecured loans	761.0	7,479.9	16,950.0	15,950.0	13,950.0
Total debt	1,380.2	15,140.5	24,519.7	22,519.7	18,519.7
<b>CAPITAL EMPLOYED</b>	<b>44,239.5</b>	<b>59,525.3</b>	<b>61,461.5</b>	<b>68,898.7</b>	<b>75,581.0</b>
Gross block	20,294.0	23,954.9	28,454.9	31,954.9	35,454.9
Accumulated depreciation	(4,714.7)	(6,562.8)	(8,512.8)	(10,702.7)	(13,132.4)
Net block	15,579.3	17,392.1	19,942.1	21,252.2	22,322.5
Capital WIP	1,012.4	395.5	701.5	701.5	701.5
<b>Total fixed assets</b>	<b>16,591.7</b>	<b>17,787.6</b>	<b>20,643.6</b>	<b>21,953.7</b>	<b>23,024.0</b>
Goodwill	1,303.7	1,389.7	1,364.9	1,364.9	1,364.9
Investments	14,762.8	28,932.3	23,932.3	26,432.3	28,932.3
Inventories	7,813.8	7,409.6	9,317.8	10,048.2	10,846.3
Sundry debtors	3,942.4	3,203.6	3,612.7	3,895.9	4,205.3
Cash & bank	1,098.2	1,228.5	6,169.7	9,168.8	11,917.8
Loans & advances	12,229.4	13,130.6	10,944.2	10,944.2	10,944.2
Other current assets	4,538.7	5,144.8	6,046.9	6,470.2	6,923.1
Sundry creditors	(11,405.1)	(11,162.8)	(12,015.8)	(12,498.5)	(13,353.4)
O. Current Liabilities	(4,655.3)	(5,563.1)	(6,523.5)	(6,849.7)	(7,192.2)
Provisions	(2,079.6)	(2,044.2)	(2,108.0)	(2,108.0)	(2,108.0)
<b>Working capital</b>	<b>11,482.5</b>	<b>11,347.0</b>	<b>15,444.1</b>	<b>19,071.2</b>	<b>22,183.1</b>
Deferred Tax Assets	98.8	68.7	76.6	76.6	76.6
Miscellaneous exp.	-	-	-	-	-
<b>CAPITAL DEPLOYED</b>	<b>44,239.5</b>	<b>59,525.3</b>	<b>61,461.5</b>	<b>68,898.7</b>	<b>75,581.0</b>

Ratios	FY19	FY20	FY21E	FY22E	FY23E
OPM	15.7	15.9	19.4	17.6	17.9
NPM	10.3	11.9	14.4	12.9	13.5
Tax rate	(34.6)	(24.4)	(25.2)	(25.2)	(25.2)
<b>Growth Ratios (%)</b>					
Net Sales	11.5	4.9	12.8	7.8	7.9
Operating Profit	15.4	6.3	38.0	(2.6)	10.1
PAT	15.4	22.1	37.0	(4.0)	13.2
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	48	59	80.5	77.3	87.5
Cash Earnings (CPS)	55	66	89	86	98
Dividend	15.0	35.0	83.0	38.7	43.8
Book Value	177.0	183.1	151.5	190.1	233.9
Free Cash Flow	10.13	(4.82)	93.06	58.86	71.19
<b>Valuation Ratios</b>					
P/E(x)	72.0	59.0	43.1	44.9	39.7
P/B(x)	19.6	19.0	22.9	18.3	14.8
EV/EBITDA(x)	47.4	44.6	32.9	33.6	30.2
Div. Yield(%)	0.4	1.0	2.4	1.1	1.3
<b>FCF Yield(%)</b>	<b>0.3</b>	<b>(0.1)</b>	<b>2.7</b>	<b>1.7</b>	<b>2.1</b>
<b>Return Ratios (%)</b>					
ROE	27.3	32.1	53.2	40.7	37.4
ROCE	35.5	27.9	38.2	32.8	32.9

Source: Dalal & Broacha Research, Company

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