



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

## Result Update @ Dalal & Broacha

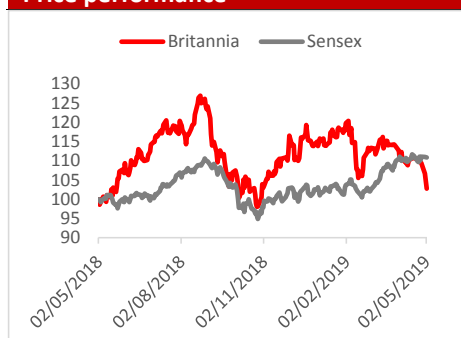
### ACCUMULATE

Current Price	2785
52 Week Range	2350/3472

### Key Share Data

Market Cap (Rs.bn)	662
Market Cap (US\$ mn)	9558
No of o/s shares (mn)	240.32
Face Value	1
Monthly Avg. vol(BSE+NSE) Nos'000	177
BSE Code	500825
NSE Code	BRITANNIA
Bloomberg	BRIT:IN

### Price performance



### % Shareholding

	Mar -19	Dec-18
Promoters	50.66	50.66
Institutions	28.12	29.21
Others	21.22	20.13
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

### Britannia Q4FY19 Consolidated Results were in-line with expectations

Net Revenues increased by 10.3% YoY to Rs 27989.6mn.

**Domestic business:** volumes grew 7%, price increase was 1.5% and pricing mix 1.5%.

**Raw materials** to Revenues stood at 58.8% as against 61.5% YoY. Raw materials inflation overall 3%, Flour+9%, RPO-5%, Milk-9%, Sugar-8%.

Employee Costs was flat at Rs. 1082mn YoY. Other expenses increased by 29.2% to Rs. 6083.3mn, as % to Revenues it stood at 21.7% v/s 18.6%

Scaling up of manufacturing units increased cost, impacted rise in EBIDTA margins in Q4FY19. EBIDTA increased by 10% YoY to Rs 4365.8mn. EBIDTA margins stood at 15.6% v/s 15.6% YoY.

Other Income increased by 39% YoY to Rs 618mn. Tax rate stood at 34.6% v/s 33.5%. Q4FY19 PAT increased by 11.8% YoY to Rs 2943mn.

**For FY19 company recorded EPS of 48 v/s 42**

### Going Forward:

**Demand in short-term:** Over last 2 quarters management has witnessed overall industry wide slowdown of ~500bps in the categories they operate, with higher proportion from rural. However post-election and good monsoons this is expected to reverse.

**Innovative products** contribute 4.5% of revenue and is expected to reach 9% by FY20 and gross margins from new innovative products are accretive.

Focus on bridging portfolio gaps in bakery business and concentrating on other adjacent macro snacking business opportunities will ensure Britannia stays ahead of market and achieve profitable growth.

**Valuations @ Rs 2785:** 48x its FY20e EPS of Rs 58 and 41x its FY21e EPS of Rs 67. We recommend **Accumulate**

### Financials Consolidated (Rs. Mn)

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	90,541	8	12,782	14.1	8,846	7	36.9	75	33	41
FY18	99,140	9	15,017	15.1	10,040	13	41.8	66	29	38
FY19E	110,547	12	17,334	15.7	11,555	15	48	58	27	36
FY20E	128,821.9	17	20,605.2	16.0	13,969	21	58	48	27	35
FY21E	145,984.7	13	23,809.4	16.3	16,200	16	67	41	26	34



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### Other Conference Call KTA's

**Hindi belt higher than domestic:** Rajasthan +22.1% YoY / MP +19% YoY / UP 17% YoY / Gujarat +14.7% YoY

### Segment wise:

- Bread double digit growth
- Dairy double digit growth supported by milkshakes launch (category size Rs 2200crs including lassi)
- International single digit due to slowdown in M.East (Nepal operations started in April-19)

**Market share** increased indicated by increased gap with largest competitor

**Distribution** stood at 21 lacs outlets +14% YoY / Rural at 18100 outlets +26% YoY / opportunity to penetrate in lower Rural populated areas still available

### LAUNCHES:

- Launched Treat Burst, Treat Stars (open sandwich biscuits), and Milk Bikis Chocolate Cream
- Treat Croissant also launched in Modern Trade and East (shelf-life is 4 months)
- Pilot launch of Time Pass Salted Snacks in Tamil Nadu @ Rs 5(17gms) Rs 10 and Rs 20 pack(*category size for Britannia's segment is Rs 8000crs*)

Yearly **cost savings** FY20 +40crs YoY: 270crs in FY20e as against 230crs in FY19

### RANJANGAON facility (150 acres)

- Commercialised / 2 cake line / 4 biscuit lines (2 fully scaled up and 2 scaling up) / 1 Croissant line
- Capex till date Rs 600crs /
- Overall volumes done 30000 tons annually for Biscuits / 500 tons a month for cakes croissants.
- 2 more biscuits lines will start in Sept-19
- Innovative products line will start in July-September

**Capex** FY20e 400-450crs



Particulars (Rs Mns)	Q4FY18	Q4FY19
Net Sales	25098.7	27640.1
Other Op Income	276.50	349.50
<b>Total OP Income</b>	<b>25375.2</b>	<b>27989.6</b>
<i>Growth</i>		<i>10.3%</i>
Add: O. Income	444.1	617.9
<i>Growth</i>		<i>39.1%</i>
<b>Total Income</b>	<b>25819.3</b>	<b>28607.5</b>
RAW MATERIALS	-15613.1	-16458.6
<i>Growth</i>		<i>5.4%</i>
<i>% of Op Income</i>	<i>-61.5%</i>	<i>-58.8%</i>
Employee Cost	-1083.7	-1081.9
<i>Growth</i>		<i>-0.2%</i>
<i>% of Op Income</i>	<i>-4.3%</i>	<i>-3.9%</i>
O. Exps	-4707.3	-6083.3
<i>Growth</i>		<i>29.2%</i>
<i>% of Op Income</i>	<i>-18.6%</i>	<i>-21.7%</i>
Total Expenditure	-21404.1	-23623.8
<i>Growth</i>		<i>10.4%</i>
EBIDTA	4415.20	4983.70
<b>EBIDTA Less O. Inc</b>	<b>3971.10</b>	<b>4365.80</b>
<i>Growth</i>		<i>9.9%</i>
EBIDTA MARGINS	<b>15.6%</b>	<b>15.6%</b>
Less Int	-23.7	-12.5
Less Depn	-423.5	-469
<b>PBT Before Exceptional</b>	<b>3968.00</b>	<b>4502.20</b>
<i>Growth</i>		<i>13.5%</i>
PBT	3968.00	4502.20
Less Tax	-1330.10	-1556.50
<b>TAX RATE</b>	<b>-33.5%</b>	<b>-34.6%</b>
PAT	2637.90	2945.70
Share of Profit/Loss from Associate	-6.3	-3
PAT Reportd	2631.60	2942.70
<b>PAT Adjusted</b>	<b>2631.6</b>	<b>2942.7</b>
<i>Growth</i>		<i>11.8%</i>
<i>NPM</i>	<i>10.2%</i>	<i>10.3%</i>
Other Comprehensive Income ( net of Tax)	13.5	-21.9
Total Comprehensive Income	2645.1	2920.8
Equity	240.1	240.3
<b>EPS ( Adjusted PAT)</b>	<b>10.96</b>	<b>12.25</b>



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P&L (Rs mn)	FY16	FY17	FY18	FY19	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19	FY20E	FY21E
Net Operating Income	83,972.3	90,540.9	99,139.9	110,546.7	128,821.9	145,984.7	Net Profit	8,245.8	8,846.1	10,039.6	11,554.6	13,969.2	16,199.8
Raw materials	(50,127.2)	(55,886.8)	(61,071.0)	(65,614.6)	(76,262.6)	(86,131.0)	Add: Dep. & Amort.	1,134.1	1,192.7	1,420.7	1,618.8	1,916.8	2,180.9
Employee costs	(3,413.6)	(3,526.1)	(4,016.0)	(4,418.2)	(4,948.4)	(5,542.2)	<b>Cash profits</b>	<b>9,379.9</b>	<b>10,038.8</b>	<b>11,460.3</b>	<b>13,173.4</b>	<b>15,885.9</b>	<b>18,380.6</b>
Other Expenses	(18,287.6)	(18,346.2)	(19,036.4)	(23,179.7)	(27,005.7)	(30,502.1)	(Inc)/Dec in						
Cost of sales	(71,828.4)	(77,759.1)	(84,123.4)	(93,212.5)	(108,216.7)	(122,175.3)	-Sundry debtors	(348.0)	(85.5)	(1,254.4)	(896.4)	(651.7)	(612.1)
<b>Operating Profit</b>	<b>12,143.9</b>	<b>12,781.8</b>	<b>15,016.5</b>	<b>17,334.2</b>	<b>20,605.2</b>	<b>23,809.4</b>	-Inventories	(366.1)	(2,208.0)	86.6	(1,285.9)	(656.7)	(1,128.5)
Depreciation	(1,134.1)	(1,192.7)	(1,420.7)	(1,618.8)	(1,916.8)	(2,180.9)	-Loans/advances	(3,284.7)	(5,255.0)	535.7	(2,829.7)	(1,676.8)	(1,844.5)
PBIT	11,009.8	11,589.1	13,595.8	15,715.4	18,688.5	21,628.5	-Sundry creditors	656.6	(117.7)	2,367.8	1,464.2	504.4	1,541.1
Other income	1,243.5	1,505.4	1,663.7	2,064.5	2,584.0	3,025.2	-Others	(1,953.0)	298.8	594.8	772.5	336.7	353.6
Interest	(48.7)	(54.5)	(75.9)	(90.9)	(90.9)	(90.9)	Change in working capital	(5,295.2)	(7,367.4)	2,330.5	(2,775.3)	(2,144.1)	(1,690.4)
Profit before tax	12,204.6	13,040.0	15,183.6	17,689.0	21,181.6	24,562.9	<b>CF from Oper. activities</b>	<b>4,084.7</b>	<b>2,671.4</b>	<b>13,790.8</b>	<b>10,398.1</b>	<b>13,741.9</b>	<b>16,690.2</b>
Extraordinary Items	-	-	-	-	-	-	<b>CF from Inv. activities</b>	<b>(5,317.2)</b>	<b>325.1</b>	<b>(10,928.6)</b>	<b>(8,000.0)</b>	<b>(7,500.0)</b>	<b>(7,500.0)</b>
Profit before tax (post Excep)	12,204.6	13,040.0	15,183.6	17,689.0	21,181.6	24,562.9	<b>CF from Fin. activities</b>	<b>(154.3)</b>	<b>(2,665.4)</b>	<b>(2,205.6)</b>	<b>(3,164.1)</b>	<b>(5,168.4)</b>	<b>(5,769.9)</b>
Provision for tax	(3,961.0)	(4,196.7)	(5,142.2)	(6,124.7)	(7,201.7)	(8,351.4)	<b>Cash generated/(utilised)</b>	<b>(1,386.8)</b>	<b>331.1</b>	<b>656.6</b>	<b>(766.0)</b>	<b>1,073.4</b>	<b>3,420.3</b>
<b>Reported PAT</b>	<b>8,243.6</b>	<b>8,843.3</b>	<b>10,041.4</b>	<b>11,564.3</b>	<b>13,979.9</b>	<b>16,211.5</b>	Cash at start of the year	2,263.3	876.5	1,207.6	1,864.2	1,098.2	2,171.6
Share of Pft and Loss of Associates and Minority Int	2.2	2.8	(1.8)	(9.7)	(10.7)	(11.7)	Cash at end of the year	876.5	1,207.6	1,864.2	1,098.2	2,171.6	5,591.9
<b>Adjusted PAT</b>	<b>8,245.8</b>	<b>8,846.1</b>	<b>10,039.6</b>	<b>11,554.6</b>	<b>13,969.2</b>	<b>16,199.8</b>	<b>Ratios</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
<b>Balance Sheet</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>	OPM	14.5	14.1	15.1	15.7	16.0	16.3
Equity capital	240.0	240.0	240.1	240.3	240.3	240.3	NPM	9.7	9.6	10.0	10.3	10.6	10.9
Reserves	20,676.8	26,724.2	33,822.2	42,292.2	51,372.2	61,902.0	Tax rate	(32.5)	(32.2)	(33.9)	(34.6)	(34.0)	(34.0)
<b>Net worth</b>	<b>20,916.8</b>	<b>26,964.2</b>	<b>34,062.3</b>	<b>42,532.5</b>	<b>51,612.5</b>	<b>62,142.3</b>	<b>Growth Ratios (%)</b>						
Def. Tax Liab.+Minority Int.	24.6	26.0	131.4	326.8	326.8	326.8	Net Sales	6.9	7.8	9.5	11.5	16.5	13.3
Secured loans	376.8	314.0	845.7	619.2	619.2	619.2	Operating Profit	40.6	5.3	17.5	15.4	18.9	15.6
Unsecured loans	861.3	843.1	936.5	761.0	661.0	561.0	PAT	43.9	7.3	13.5	15.1	20.9	16.0
Total debt	1,238.1	1,157.1	1,782.2	1,380.2	1,280.2	1,180.2	<b>Per Share (Rs.)</b>						
<b>CAPITAL EMPLOYED</b>	<b>22,179.5</b>	<b>28,147.3</b>	<b>35,975.9</b>	<b>44,239.5</b>	<b>53,219.5</b>	<b>63,649.3</b>	Net Earnings (EPS)	34	37	42	48	58	67
Gross block	9,253.6	11,996.7	15,269.9	20,294.0	25,294.0	30,294.0	Cash Earnings (CPS)	39	42	48	55	66	76
Accumulated depreciation	(910.3)	(1,675.2)	(3,095.9)	(4,714.7)	(6,631.5)	(8,812.3)	Dividend	10.0	11.0	12.5	15.0	17.4	20.2
Net block	8,343.3	10,321.5	12,174.0	15,579.3	18,662.5	21,481.7	Book Value	87.2	112.4	141.9	177.0	214.8	258.6
Capital WIP	900.7	300.7	2,028.2	1,012.4	1,012.4	1,012.4	Free Cash Flow	(5.14)	12.49	11.92	9.98	25.98	38.24
<b>Total fixed assets</b>	<b>9,244.0</b>	<b>10,622.2</b>	<b>14,202.2</b>	<b>16,591.7</b>	<b>19,674.9</b>	<b>22,494.1</b>	<b>Valuation Ratios</b>						
Goodwill	1,159.1	1,278.4	1,282.0	1,303.7	1,303.7	1,303.7	P/E(x)	<b>80.9</b>	<b>75.4</b>	<b>66.5</b>	<b>57.8</b>	<b>47.8</b>	<b>41.2</b>
Investments	7,883.8	4,868.5	10,792.8	14,762.8	17,262.8	19,762.8	P/B(x)	31.9	24.7	19.6	15.7	12.9	10.8
Inventories	4,406.5	6,614.5	6,527.9	7,813.8	8,470.5	9,599.0	EV/EBITDA(x)	54.4	51.9	43.8	37.8	31.6	27.3
Sundry debtors	1,706.1	1,791.6	3,046.0	3,942.4	4,594.1	5,206.2	Div. Yield(%)	0.4	0.4	0.4	0.5	0.6	0.7
Cash & bank	876.5	1,207.6	1,864.2	1,098.2	2,171.6	5,591.9	<b>FCF Yield(%)</b>	<b>(0.2)</b>	<b>0.4</b>	<b>0.4</b>	<b>0.4</b>	<b>0.9</b>	<b>1.4</b>
Loans & advances	6,545.0	8,750.2	9,785.8	12,229.4	13,452.3	14,797.6	<b>Return Ratios (%)</b>						
Other current assets	2,674.1	5,723.9	4,152.6	4,538.7	4,992.6	5,491.8	ROE	39.4	32.8	29.5	27.2	27.1	26.1
Sundry creditors	(7,690.8)	(7,573.1)	(9,940.9)	(11,405.1)	(11,909.5)	(13,450.6)	ROCE	49.6	41.2	37.8	35.5	35.1	34.0
O. Current Liabilities	(3,250.2)	(3,466.8)	(4,084.0)	(4,655.3)	(4,888.1)	(5,132.5)							
Provisions	(1,818.6)	(1,900.8)	(1,878.4)	(2,079.6)	(2,183.6)	(2,292.8)							
<b>Working capital</b>	<b>3,448.6</b>	<b>11,147.1</b>	<b>9,473.2</b>	<b>11,482.5</b>	<b>14,700.0</b>	<b>19,810.7</b>							
Deferred Tax Assets	444.0	231.1	225.7	98.8	278.0	278.0							
Miscellaneous exp.	-	-	-	-	-	-							
<b>CAPITAL DEPLOYED</b>	<b>22,179.5</b>	<b>28,147.3</b>	<b>35,975.9</b>	<b>44,239.5</b>	<b>53,219.5</b>	<b>63,649.3</b>							



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