



Britannia Consolidated Q4FY21 results were below expectations on EBIDA Margins QoQ drop of 3.2%.

- **Revenue** increased by 8%YoY to Rs 30381 mn. **Volume** growth in-line with revenue growth at 8%
- **EBIDTA** in absolute terms increased by 11.3% YoY to Rs 5053.9mn || **EBIDTA Margins** stood at 16.1% v/s 15.8% YoY and 19.3% QoQ
- **PAT declined** 3% YoY to Rs 3643.2mn (as tax rate stood at 26.9% v/s 18.6% YoY)

Other Details

- **Raw Materials** to Revenue stood at 59.5% v/s 60.3% YoY and 56.9% QoQ.
 - Q4FY21 inflation @ 3% on account of higher edible oil, dairy, and packaged material cost || **management will take strategic steps to cover-up.**
 - Commodities YoY inflation: Flour -3% || Palm Oil +24% || Milk -11%(but up QoQ basis) || Sugar -2%
- **Employee cost** rose by 2.7%YoY to Rs 1242mn
- **Other Expenses to Revenue** stood at 20.4% v/s 19.6% YoY even Q3FY21 was at 19.6%
- **Other Income** declined by 19.6% YoY || PBT increased by 7.6% YoY to Rs 4920.7mn

Conference Call Key Highlights

- **Outlook:**
 - very difficult to project any growth number, as situation is very un-predictive. Aim is to get back to high single to double digit growth
 - **Demand wise:** pantry loading and in-house consumption continues, however competition this time is well aware as well as prepared v/s previous year.
 - EBIDTA margins focus to remain upwards of FY20 i.e. 16%

Financial Summary

Y/E Mar (Rs)	FY19	FY20	FY21	FY22E	FY23E
Net sales	1,10,547	1,15,996	1,31,361	1,36,102	1,47,743
EBIDTA	17,334	18,432	25,092	23,281	25,792
Margins	15.7	15.9	19.1	17.1	17.5
PAT (adj)	11,591	14,155	18,643	17,317	19,860
growth (%)	15.4	22.1	31.7	(7.1)	14.7
EPS	48.2	58.9	77.4	71.9	82.4
P/E (x)	72.4	59.4	45.1	48.6	42.4
P/B (x)	19.7	19.1	23.7	19.1	15.6
EV/EBITDA (x)	47.7	44.8	33.3	35.7	32.0
RoE (%)	27.3	32.1	52.6	39.2	36.7
ROCE (%)	35.5	27.9	40.8	32.7	33.1

Source: Dalal and Broacha

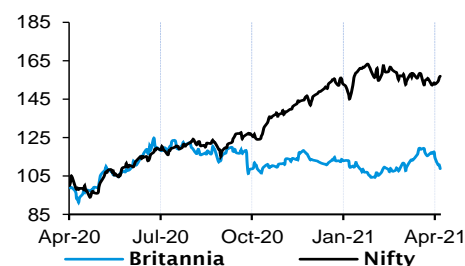
Rating	TP (Rs)	Up/Dn (%)
ACCUMULATE	3708	6

Market data

Current price	Rs	3,494
Market Cap (Rs.Bn)	(Rs Bn)	848
Market Cap (US\$ Mn)	(US\$ Mn)	11329
Face Value	Rs	1
52 Weeks High/Low	Rs	4015/2869
Average Daily Volume	('000)	873
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
Total	100	100

Source: BSE

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Conference Call Key Highlights continue

- Market Share grew for 8th consecutive year
- **Product Update:**
 - **Milk Bikis** (~ Rs 3270mn Revenue):
 - > Market Share 26% of Milk Category (i.e. Rs 1260crs) || 4% of Milk+Glucose category (i.e. Rs 7260crs)
 - > visibility across 14 lac sqft and +45K units deployed
 - > one of the most profitable brands for Britannia with aim to upgrade glucose customer
 - **Winkin Cow Milk Shake:** achieved highest volume supported by distribution.
- **Invested & implemented new IT / Digital platform, revenue benefit much higher than investments:**
 - Platform & Software include a) S4 HANA b) Arteria Online Dealer Management System (*24 lacs outlets real-time data and order conversions*) c) Integrated Vendor Management System
- Advertisement Spends and Promotions scaled up: full year FY21 lower by 1.5% of Sales on YoY basis || Q3FY21 normal levels || Q4FY21 higher YoY
- **Capex:**
 - planned ~ 200crs || spent lower
 - UP factory to start in FY22 || Dairy project too will start in FY22
 - Expansion in Tamil Nadu + Bihar + Orissa on cards. Will take call as per situation
 - 10% head room left with current capacities
 - 3rd Party / Outsourced @ 35%
- International Expansion with 3rd party manufacturer planned on contract manufacturing basis in Uganda and Egypt || Revenue generation would be upwards of \$11 mn
- **Other regular stats**
 - Rural distribution @ 23500 dealers v/s 21300 in Feb-20
 - Direct Reach @ 23.7 lakh outlets v/s 19.7 lakhs YoY
 - Focus States grew +25% v/s rest of states in FY21
 - E-Commerce @ 4.1x of FY19 levels and 2.1x FY20
 - Factory Productivity +8% of Pre-Covid levels || Wastage -20% pre covid || Direct Dispatches +50% pre-covid || Depot Space reduced by 10%

Milk Biki Margins 2.5x glucose || Price points similar to Glucose with lower grams

Revenue generation much higher than spends on Digital IT

Capex reduced in-line with current situation, headroom of 10%

Quarterly Financials

Particulars (Rs Mns) Consolidated	Q4FY21	Q4FY20	Growth	FY21	FY20	Growth
Net Sales	30,381.3	28,077.8	8.2%	1,28,830.4	1,14,439.9	12.6%
Other Op Income	926.2	599.2	54.6%	2,531.0	1,555.8	62.7%
Total OP Income	31,307.5	28,677.0	9.2%	1,31,361.4	1,15,995.7	13.2%
Add: O. Income	631.9	786.2	-19.6%	3,129.3	2,794.0	12.0%
Total Income	31,939.4	29,463.2	8.4%	1,34,490.7	1,18,789.7	13.2%
RAW MATERIALS	(18,636.2)	(17,299.9)	7.7%	(76,261.0)	(69,274.7)	10.1%
Employee Cost	(1,242.0)	(1,209.0)	2.7%	(5,273.8)	(4,866.9)	8.4%
O. Exps	(6,375.4)	(5,625.3)	13.3%	(24,734.3)	(23,422.3)	5.6%
EBIDTA	5,685.8	5,329.0	6.7%	28,221.6	21,225.8	33.0%
EBIDTA Less O. Inc	5,053.9	4,542.8	11.3%	25,092.3	18,431.8	36.1%
Less Int	(236.9)	(269.9)	-12.2%	(1,109.0)	(769.0)	44.2%
Less Depn	(528.2)	(484.7)	9.0%	(1,978.5)	(1,848.1)	7.1%
<i>Less Exceptional</i>	-	(2.8)		(6.1)	(170.1)	
PBT Before Exceptic	4,920.7	4,574.4	7.6%	25,134.1	18,608.7	35.1%
PBT	4,920.7	4,571.6	7.6%	25,128.0	18,438.6	36.3%
Less Tax	(1,325.8)	(849.2)	56.1%	(6,630.2)	(4,507.0)	47.1%
Share of Profit/Loss from Associate	5.8	1.1	427.3%	8.1	4.4	84.1%
Minority Interest	-	-		-	-	
PAT Reportd	3,600.7	3,723.5	-3.3%	18,505.9	13,936.0	32.8%
PAT Adjusted Owner Share	3,643.2	3,750.3	-2.9%	18,643.5	14,155.7	31.7%
Equity	240.7	240.5		240.5	240.5	
EPS (Adjusted PAT)	15.1	15.6		77.5	58.9	
OPM	16.1%	15.8%		19.1%	15.9%	
NPM	11.3%	12.6%		13.8%	11.7%	
Tax Rate	-26.9%	-18.6%		-26.4%	-24.4%	
% to Operating Income						
RAW MATERIALS	-59.5%	-60.3%		-58.1%	-59.7%	
Employee Cost	-4.0%	-4.2%		-4.0%	-4.2%	
O. Exps	-20.4%	-19.6%		-18.8%	-20.2%	
Total	-83.9%	-84.2%		-80.9%	-84.1%	

Q4FY21 Volume growth @ 8%

EBIDTA Margins declined by 320bps. QoQ

Pat YoY drop as tax rate @ 26.9% v/s 18.6% YoY

Source: Dalal & Broacha Research, Company

Valuation & Outlook

We have revised our EPS downwards on account of a) 2nd wave (with higher competitive intensity) would impact the similar growth pace, plus need for ad-spends and promotions too have increased QoQ b) Rise in commodity price, along with difficult times to increase prices would have impact on gross margins c) Innovative pipeline is strong but launches have been impacted.

At CMP of Rs 3494 Britannia trades at 48.6x FY22e EPS of Rs 72 and 42.4x FY23e EPS of Rs 82. We expect stock to remain under pressure for sometime and would recommend **Accumulate (on dips) strategy for the stock.**

Financials

P&L (Rs mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Operating Income	1,10,546.7	1,15,995.5	1,31,361.4	1,36,102.2	1,47,743.1
Raw materials	(65,614.6)	(69,274.7)	(76,261.0)	(80,572.5)	(86,725.2)
Employee costs	(4,418.2)	(4,866.9)	(5,273.8)	(5,748.4)	(6,265.8)
Other Expenses	(23,179.7)	(23,422.1)	(24,734.3)	(26,500.1)	(28,960.5)
Cost of sales	(93,212.5)	(97,563.7)	(1,06,269.1)	(1,12,821.0)	(1,21,951.5)
Operating Profit	17,334.2	18,431.8	25,092.3	23,281.2	25,791.6
Depreciation	(1,618.8)	(1,848.1)	(1,978.5)	(2,175.5)	(2,411.8)
PBIT	15,715.4	16,583.7	23,113.8	21,105.7	23,379.8
Other income	2,064.5	2,794.0	3,129.3	3,191.0	3,797.3
Interest	(90.9)	(769.0)	(1,109.0)	(1,362.4)	(865.7)
Profit before tax	17,689.0	18,608.7	25,134.1	22,934.3	26,311.4
Extraordinary Items / Exce	-	(170.1)	-	-	-
Profit before tax (post Exc)	17,689.0	18,438.6	25,134.1	22,934.3	26,311.4
Provision for tax	(6,124.7)	(4,507.0)	(6,630.2)	(5,772.6)	(6,622.6)
Reported PAT	11,564.3	13,931.6	18,503.9	17,161.7	19,688.8
Share of Pft and Loss of Associates and Minority Int	26.9	94.7	141.2	155.3	170.9
Adjusted PAT	11,591.2	14,154.8	18,643.5	17,317.0	19,859.7
Balance Sheet	FY19	FY20	FY21E	FY22E	FY23E
Equity capital	240.3	240.5	240.9	240.9	240.9
Reserves	42,292.2	43,787.8	35,235.7	43,894.2	53,824.0
Net worth	42,532.5	44,028.3	35,476.6	44,135.1	54,064.9
Def. Tax Liab.+Minority Int	326.8	356.5	363.4	509.8	670.9
Secured loans	619.2	7,660.6	7,477.5	6,477.5	4,477.5
Unsecured loans	761.0	7,479.9	13,394.2	13,394.2	11,394.2
Total debt	1,380.2	15,140.5	20,871.7	19,871.7	15,871.7
CAPITAL EMPLOYED	44,239.5	59,525.3	56,711.7	64,516.6	70,607.5
Gross block	20,294.0	23,954.9	25,111.8	27,611.8	30,611.8
Accumulated depreciation	(4,714.7)	(6,562.8)	(8,541.3)	(10,716.8)	(13,128.6)
Net block	15,579.3	17,392.1	16,570.5	16,895.0	17,483.2
Capital WIP	1,012.4	395.5	1,165.2	1,165.2	1,165.2
Total fixed assets	16,591.7	17,787.6	17,735.7	18,060.2	18,648.4
Goodwill	1,303.7	1,389.7	1,359.0	1,359.0	1,359.0
Investments	14,762.8	28,932.3	27,806.9	30,306.9	32,806.9
Inventories	7,813.8	7,409.6	10,914.9	9,695.0	10,524.2
Sundry debtors	3,942.4	3,203.6	2,572.7	2,665.5	2,893.5
Cash & bank	1,098.2	1,228.5	2,113.4	7,239.1	9,675.0
Loans & advances	12,229.4	13,130.6	10,211.4	10,211.4	10,211.4
Other current assets	4,538.7	5,144.8	7,272.7	7,786.6	8,331.7
Sundry creditors	(11,405.1)	(11,162.8)	(13,147.5)	(12,361.8)	(13,068.2)
O. Current Liabilities	(4,655.3)	(5,563.1)	(6,267.0)	(6,580.4)	(6,909.4)
Provisions	(2,079.6)	(2,044.2)	(3,874.7)	(3,874.7)	(3,874.7)
Working capital	11,482.5	11,347.0	9,800.4	14,780.8	17,783.5
Deferred Tax Assets	98.8	68.7	9.7	9.7	9.7
Miscellaneous exp.	-	-	-	-	-
CAPITAL DEPLOYED	44,239.5	59,525.3	56,711.7	64,516.6	70,607.5
Cash Flow St. (Rs. mn)	FY19	FY20	FY21E	FY22E	FY23E
Net Profit	11,591.2	14,026.3	18,639.0	17,317.0	19,859.7
Add: Dep. & Amort.	1,618.8	1,848.1	1,978.5	2,175.5	2,411.8
Cash profits	13,210.0	15,874.4	20,617.5	19,492.5	22,271.5
(Inc)/Dec in					
-Sundry debtors	(896.4)	738.8	630.9	(92.8)	(228.0)
-Inventories	(1,285.9)	404.2	(3,505.3)	1,219.9	(829.2)
-Loans/advances	(2,829.7)	(1,507.3)	786.8	(509.4)	(545.1)
-Sundry creditors	1,464.2	(242.3)	1,984.7	(785.7)	706.4
-Others	772.5	872.4	2,534.4	313.4	329.0
Change in working capital	(2,775.3)	265.8	2,431.5	145.4	(566.9)
CF from Oper. activities	10,434.7	16,140.2	23,049.0	19,637.8	21,704.6
CF from Inv. activities	(8,000.0)	(17,299.5)	(770.5)	(5,000.0)	(5,500.0)
CF from Fin. activities	(3,200.7)	1,289.6	(21,393.6)	(9,512.1)	(13,768.8)
Cash generated/(utilise)	(766.0)	130.3	884.9	5,125.7	2,435.8
Cash at start of the year	1,864.2	1,098.2	1,228.5	2,113.4	7,239.1
Cash at end of the year	1,098.2	1,228.5	2,113.4	7,239.1	9,675.0
Ratios	FY19	FY20	FY21E	FY22E	FY23E
OPM	15.7	15.9	19.1	17.1	17.5
NPM	10.3	11.9	13.9	12.4	13.1
Tax rate	(34.6)	(24.4)	(26.4)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	11.5	4.9	13.2	3.6	8.6
Operating Profit	15.4	6.3	36.1	(7.2)	10.8
PAT	15.4	22.1	31.7	(7.1)	14.7
Per Share (Rs.)					
Net Earnings (EPS)	48	59	77.4	71.9	82.4
Cash Earnings (CPS)	55	66	86	81	92
Dividend	15.0	35.0	145.0	35.9	41.2
Book Value	177.0	183.1	147.3	183.2	224.4
Free Cash Flow	10.13	(4.82)	92.48	60.76	67.27
Valuation Ratios					
P/E(x)	72.4	59.4	45.1	48.6	42.4
P/B(x)	19.7	19.1	23.7	19.1	15.6
EV/EBIDTA(x)	47.7	44.8	33.3	35.7	32.0
Div. Yield(%)	0.4	1.0	4.1	1.0	1.2
FCF Yield(%)	0.3	(0.1)	2.6	1.7	1.9
Return Ratios (%)					
ROE	27.3	32.1	52.6	39.2	36.7
ROCE	35.5	27.9	40.8	32.7	33.1

Source: Dalal & Broacha Research, Company

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