



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia 022 67141442

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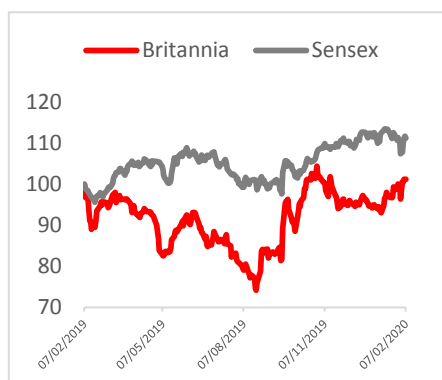
HOLD

Current Price	3152
52 Week Range	2302/3444
Target Price	3330
Upside	6%

Key Share Data

Market Cap (Rs.bn)	757.98
Market Cap (US\$ mn)	10645.79
No of o/s shares (mn)	240.31
Face Value	1
Monthly Avg. vol(BSEgrew byNSE)	
Nos'000	423.39
BSE Code	500825
NSE Code	BRITANNIA
Bloomberg	BRIT: IN

Price performance



% Shareholding	Dec-19	Sept-19
Promoters	50.63	50.66
Public	49.37	49.34
Others	0.00	0.00
Total	100.0	100.0

Britannia Q3FY20 Consolidated Results better than expectations on profitability front as EBITDA Margins clock to 16.8%, highest in last 15 quarters

Net Revenues grew by 4.9% YoY to Rs. 29,539.8 mn

EBIDTA grew by 11.1% YoY to Rs 5,020.40 mn.

EBIDTA margins 16.8% as against 15.9% YoY

RM to Revenues stood at 59.9% as against 58.7% YoY

(moderate inflation in the prices of key raw materials of bakery business, and significant increase in milk prices impacted dairy business)

Employee Costs grew by 3.9% to Rs. 1,216 mn YoY

Other expenses -1.7% YoY to Rs. 5,948.6 mn/ As % to Revenues at 19.9% as against 21.3%

Other Income grew by 8.6% YoY to Rs. 651.8 mn

PBT: grew by 6.5% to Rs. 4,968.50 mn

Tax rate 25.6% as against 35.5%

Adjusted PAT: grew by 23.8% to Rs. 3,698.80 mn

EPS on adjusted PAT: Rs 15.49 as against 12.51

Conference Call KTA

- Demand** remains subdued Q1FY21 to start with low base and get low- base effect benefits.
- Volume** growth was 3% for Q3FY20 / mix was favourable which gave higher profitability.
- 4% **overall growth** came from the following 2% from base business / 1% **innovation** led products and 1% from **new categories**
- Modern Trade & E-Commerce** witnessed double digit growth, currently contributes 11% to revenues
- International:** Nepal is witnessing double digit growth but Middle East continues to face challenges
- Competitive intensity** remains high where in some players are pushing inventory to distributors which company feels would impact health of distributors leading to attrition, un-fresh stocks and higher market returns. Company on other hand in some large cities have 0-day inventory and continuous replenish system in place
- Britannia now has the **highest market share**, since according to us in case of glucose segment, impact of slowdown is higher. **Rural market share** has grown but growth is slow. Rural **distribution target** is to reach same level as urban
- Distribution strength** 21.7lacs in Dec 2019 direct reach v/s 21 lacs in march-19. **Rural preferred dealers** stands at 21000 in Dec 19 v/s 18000 in March-19. Total Reach 5.5mn outlets ~ 8 lacs below the no.1

Consolidated Financials (Rs. Mn)

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	99,140	9	15,017	15.1	10,042	14	41.8	75	29	38
FY19	1,10,547	12	17,334	15.7	11,591	15	48	65	27	36
FY20	1,17,017.4	6	18,503.9	15.8	13,635	18	57	56	32	29
FY21	1,28,796.4	10	20,550.5	16.0	15,805	16	66	48	30	28
FY22	1,42,049.1	10	22,682.4	16.0	17,735	12	74	43	28	26



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9. **Cost Savings** was equivalent to 2.1% of revenue
10. **Other Operating Income** high due to fiscal benefits at the 2 new facilities i.e. Ranjangaon and Guwahati. Company will enjoy similar level in absolute terms for next couple of years (Rs 467mn +210% YoY in Q3FY20)
11. **Inflation:** Flour +7%, Sugar +3%, RPO -5% and Milk+42% (Britannia forward hedge gave them MTM gains of Rs 1.25bn hence for the company the overall inflation was ~3-4%). Britannia hedges according to the season.
12. **Advertisement cost** remained flat YoY
13. **Plastic reduction program:** 12% laminates reduction since 13-14 achieved. 20% plastics used would be recycled waste in 2019-20. Plastic tray removal by 2022. Recyclable laminate by 2024
14. **Use of renewable energy** will go from 28% currently to 50% by 2021.
15. Making products healthier by reducing 5% sugar and sodium in bakery by 2021
16. **Capex reduced** from 2.5bn in FY20 to 1.9bn
17. **Slowed pan India launch** of certain **new category products** i.e. **Croissant** (need fine tuning on flavour, will take pan India in next 3-4 months) and **Salty Snacks** (pan India in next 6 months). Currently these products are only available in test markets.
18. **Wafers** (now Britannia is no.3) and **Milkshakes** is available PAN India
19. **Inter Corporate deposit(ICD)** at same levels at Rs 4.5bn (as of Q2FY20)

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. Company currently trades at 48x and 43x FY21e and FY22e EPS of Rs. 66 and Rs. 74 respectively. As we rollover to FY22, our target price marginally reduces from Rs. 3361 to Rs. 3330 assigning a 45x FY22e multiple. We maintain **HOLD** on the stock.



Particulars (Rs Mns)	Q3FY19	Q3FY20	9MFY19	9MFY20
Consolidated				
Net Sales	28274.0	29359.8	82094.5	86362.1
<i>Growth</i>		3.8%		5%
Other Op Income	150.40	467.00	462.6	956.4
<i>Growth</i>		210.5%		107%
Total OP Income	28424.4	29826.8	82557.1	87318.5
<i>Growth</i>		4.9%		6%
Add: O. Income	600.0	651.8	1459.7	2007.8
<i>Growth</i>		8.6%		38%
Total Income	29024.4	30478.6	84016.8	89326.3
EXPENDITURE				
Inc/Dec in stk	723.0	147.9	740.6	296.0
Cons of R. Mat	-14239.4	-15801.2	-41336.4	-45076.8
Purch of Trad Goods	-3171.3	-1988.5	-8560.2	-7194.0
RAW MATERIALS	-16687.7	-17641.8	-49156.0	-51974.8
<i>Growth</i>		5.7%		6%
<i>% of Op Income</i>	<i>-58.7%</i>	<i>-59.1%</i>	<i>-59.5%</i>	<i>-59.5%</i>
Employee Cost	-1169.9	-1216.0	-3336.4	-3657.9
<i>Growth</i>		3.9%		10%
<i>% of Op Income</i>	<i>-4.1%</i>	<i>-4.1%</i>	<i>-4.0%</i>	<i>-4.2%</i>
O. Exps	-6048.9	-5948.6	-17109.5	-17796.8
<i>Growth</i>		-1.7%		4%
<i>% of Op Income</i>	<i>-21.3%</i>	<i>-19.9%</i>	<i>-20.7%</i>	<i>-20.4%</i>
Total Expenditure	-23906.5	-24806.4	-69601.9	-73429.5
<i>Growth</i>		3.8%		5%
EBIDTA	5117.90	5672.20	14414.90	15896.80
EBIDTA Less O. Inc	4517.90	5020.40	12955.20	13889.00
<i>Growth</i>		11.1%		7%
EBIDTA MARGINS	15.9%	16.8%	15.7%	15.9%
Less Int	-29.8	-236.7	-78.4	-499.1
<i>Growth</i>		694.3%		537%
Less Depn	-424.1	-467	-1149.8	-1363.4
<i>Growth</i>		10.1%		19%
<i>Less Exceptional</i>		0	0.0	-167.3
PBT Before Exceptional	4664.00	4968.50	13186.70	14034.30
<i>Growth</i>		6.5%		6%
PBT	4664.00	4968.50	13186.70	13867.00
<i>Growth</i>		6.5%		5%
Less Tax	-1657.50	-1272.70	-4568.2	-3657.8
TAX RATE	-35.5%	-25.6%	-34.6%	-26.4%
PAT	3006.50	3695.80	8618.50	10209.20
<i>Growth</i>		22.9%		18%
Share of Profit/Loss from				
Associate	-5.8	3	-6.7	3.3
Minority Interest	0	0		0.0
PAT Reportd	3000.70	3698.80	8611.80	10212.50
PAT Adjusted Owner				
Share	3006.9	3726.3	8611.8	10402.8
<i>Growth</i>		23.9%		21%
<i>NPM</i>	<i>10.4%</i>	<i>12.2%</i>		
Equity	240.3	240.5	240.3	240.5
EPS (Adjusted PAT)	12.51	15.49	35.84	43.25
<i>Growth</i>		23.8%		21%
OPM	15.9%	16.8%	15.7%	15.9%
NPM	10.4%	12.1%	10.3%	11.4%



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P&L (Rs mn)	FY18	FY19	FY20E	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E
Net Operating Income	99,139.9	1,10,546.7	1,17,017.4	1,28,796.4	1,42,049.1	Net Profit	10,042.3	11,591.2	13,508.7	15,805.1	17,735.2
Raw materials	(61,071.0)	(65,614.6)	(69,625.4)	(76,247.4)	(84,093.1)	Add: Dep. & Amort.	1,420.7	1,618.8	1,851.7	2,126.6	2,369.4
Employee costs	(4,016.0)	(4,418.2)	(4,873.0)	(5,409.0)	(6,004.0)	Cash profits	11,463.0	13,210.0	15,360.4	17,931.8	20,104.6
Other Expenses	(19,036.4)	(23,179.7)	(24,015.2)	(26,589.4)	(29,269.6)	(Inc)/Dec in					
Cost of sales	(84,123.4)	(93,212.5)	(98,513.5)	(1,08,245.9)	(1,19,366.7)	-Sundry debtors	(1,254.4)	(896.4)	(230.8)	(420.1)	(472.6)
Operating Profit	15,016.5	17,334.2	18,503.9	20,550.5	22,682.4	-Inventories	86.6	(1,285.9)	(842.3)	(165.6)	(907.7)
Depreciation	(1,420.7)	(1,618.8)	(1,851.7)	(2,126.6)	(2,369.4)	-Loans/advances	535.7	(2,829.7)	2,284.8	(1,448.3)	(1,593.2)
PBIT	13,595.8	15,715.4	16,652.2	18,423.9	20,313.0	-Sundry creditors	2,367.8	1,464.2	(532.1)	1,034.1	1,225.2
Other income	1,663.7	2,064.5	2,584.0	3,373.2	4,065.4	-Others	594.8	772.5	606.3	367.1	385.4
Interest	(75.9)	(90.9)	(736.2)	(655.2)	(655.2)	Change in working capital	2,330.5	(2,775.3)	1,285.9	(632.8)	(1,362.9)
Profit before tax	15,183.6	17,689.0	18,500.0	21,141.9	23,723.2	CF from Oper. activities	13,793.5	10,434.7	16,646.3	17,299.0	18,741.7
Extraordinary Items / Exceptional	-	-	(167.3)	-	-	CF from Inv. activities	(10,928.6)	(8,000.0)	(6,645.8)	(7,500.0)	(7,500.0)
Profit before tax (post Excep)	15,183.6	17,689.0	18,332.7	21,141.9	23,723.2	CF from Fin. activities	(2,208.3)	(3,200.7)	(1,390.2)	(5,706.0)	(6,307.3)
Provision for tax	(5,142.2)	(6,124.7)	(4,810.0)	(5,321.4)	(5,971.1)	Cash generated/(utilised)	656.6	(766.0)	8,610.3	4,093.0	4,934.4
Reported PAT	10,041.4	11,564.3	13,522.7	15,820.5	17,752.1	Cash at start of the year	1,207.6	1,864.2	1,098.2	9,708.5	13,801.5
Share of Pft and Loss of Associates and Minority Int	0.9	26.9	(14.0)	(15.4)	(16.9)	Cash at end of the year	1,864.2	1,098.2	9,708.5	13,801.5	18,735.9
Adjusted PAT	10,042.3	11,591.2	13,635.4	15,805.1	17,735.2						
Balance Sheet	FY18	FY19	FY20E	FY21E	FY22E	Ratios	FY18	FY19	FY20E	FY21E	FY22E
Equity capital	240.1	240.3	240.3	240.3	240.3	OPM	15.1	15.7	15.8	16.0	16.0
Reserves	33,822.2	42,292.2	42,337.0	52,610.4	64,138.2	NPM	10.0	10.3	11.4	12.0	12.1
Net worth	34,062.3	42,532.5	42,577.3	52,850.7	64,378.5	Tax rate	(33.9)	(34.6)	(26.2)	(25.2)	(25.2)
Def. Tax Liab.+Minority Int.	131.4	326.8	326.8	326.8	326.8	Growth Ratios (%)					
Secured loans	845.7	619.2	7,741.8	7,741.8	7,741.8	Net Sales	9.5	11.5	5.9	10.1	10.3
Unsecured loans	936.5	761.0	5,817.1	5,717.1	5,617.1	Operating Profit	17.5	15.4	6.7	11.1	10.4
Total debt	1,782.2	1,380.2	13,558.9	13,458.9	13,358.9	PAT	13.5	15.4	17.6	15.9	12.2
CAPITAL EMPLOYED	35,975.9	44,239.5	56,463.0	66,636.4	78,064.2	Per Share (Rs.)					
Gross block	15,269.9	20,294.0	23,931.3	28,931.3	33,931.3	Net Earnings (EPS)	42	48	57	66	74
Accumulated depreciation	(3,095.9)	(4,714.7)	(6,566.4)	(8,693.0)	(11,062.4)	Cash Earnings (CPS)	48	55	64	75	84
Net block	12,174.0	15,579.3	17,364.9	20,238.3	22,868.9	Dividend	12.5	15.0	17.0	19.7	22.1
Capital WIP	2,028.2	1,012.4	1,116.7	1,116.7	1,116.7	Book Value	141.9	177.0	177.2	219.9	267.9
Total fixed assets	14,202.2	16,591.7	18,481.6	21,355.0	23,985.6	Free Cash Flow	11.93	10.13	41.62	40.78	46.78
Goodwill	1,282.0	1,303.7	1,327.2	1,327.2	1,327.2	Valuation Ratios					
Investments	10,792.8	14,762.8	17,643.5	20,143.5	22,643.5	P/E(x)	75.3	65.3	55.5	47.9	42.7
Inventories	6,527.9	7,813.8	8,656.1	8,821.7	9,729.4	P/B(x)	22.2	17.8	17.8	14.3	11.8
Sundry debtors	3,046.0	3,942.4	4,173.2	4,593.2	5,065.9	EV/EBIDTA(x)	49.8	42.9	40.7	36.5	33.0
Cash & bank	1,864.2	1,098.2	9,708.5	13,801.5	18,735.9	Div. Yield(%)	0.4	0.5	0.5	0.6	0.7
Loans & advances	9,785.8	12,229.4	9,317.6	10,249.4	11,274.3	FCF Yield(%)	0.4	0.3	1.3	1.3	1.5
Other current assets	4,152.6	4,538.7	5,165.7	5,682.3	6,250.5	Return Ratios (%)					
Sundry creditors	(9,940.9)	(11,405.1)	(10,873.0)	(11,907.1)	(13,132.3)	ROE	29.5	27.3	32.0	29.9	27.5
O. Current Liabilities	(4,084.0)	(4,655.3)	(5,140.6)	(5,397.6)	(5,667.5)	ROCE	37.8	35.5	29.5	27.6	26.0
Provisions	(1,878.4)	(2,079.6)	(2,200.6)	(2,310.6)	(2,426.2)						
Working capital	9,473.2	11,482.5	18,806.9	23,532.7	29,830.0						
Deferred Tax Assets	225.7	98.8	203.8	278.0	278.0						
Miscellaneous exp.	-	-	-	-	-						
CAPITAL DEPLOYED	35,975.9	44,239.5	56,463.0	66,636.4	78,064.2						



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