



Head of Research: Kunal Bhatia- 022 67141442

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## Result Update@ Dalal & Broacha

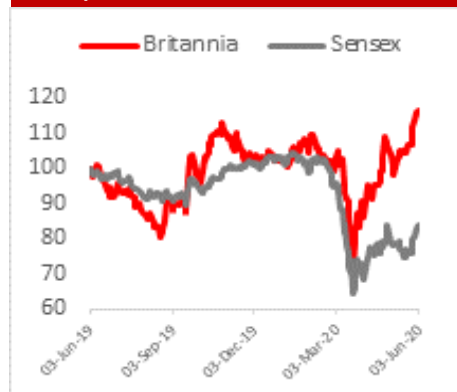
### HOLD

Current Price	3510
52 Week Range	2100/3704
Target Price	3660
Upside	4%

### Key Share Data

Market Cap (Rs.bn)	874.10
Market Cap (US\$ mn)	11611.32
No of o/s shares (mn)	240.47
Face Value	1
Monthly Avg. vol(BSE+NSE) Nos'000	911.23
BSE Code	500825
NSE Code	BRITANNIA
Bloomberg	BRIT:IN

### Price performance



% Shareholding	Mar-20	Dec-19
Promoters	50.63	50.63
Public	49.37	49.37
Others	0.00	0.00
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Q4FY20 Consolidated results better than expectations on revenue front, and in line with estimates on profitability front.**

**Net Revenues** increased by 2.5% YoY to Rs. 28677mn. **Jan-20 and Feb-20** witnessed good recovery post 9MFY20 however Covid-19 hit growth by 7-10% on revenues and profitability.

**EBIDTA** rose 4.1% YoY to Rs 4542.9mn and **EBIDTA margins** stood at 15.8% v/s 15.6% YoY

**Raw Materials to Revenues stood at 60.3% v/s 58.8% YoY. Strategic position** in Commodities helped company manage inflation at moderate levels of ~4% on an overall basis (flour +2%, sugar +5%, refined palm oil +18% and milk +50%)

**Employee Costs** increased by 11.7% to Rs. 1209mn YoY

**Other expenses** de-grew by 7.5% YoY to Rs. 5625.3mn and as % to Revenues stood at 19.6% v/s 21.7% YoY.

**Other Income** increased by 27.2% YoY to Rs. 786.2mn.

**PBT (before exceptional items)** : +1.7% to Rs. 4574.4mn (Finance Cost: grew 20.5x to Rs. 269.9mn YoY and in Q3FY20 it stood at Rs. 236.7mn.

**Adjusted PAT**: +26% YoY to Rs. 3750.3mn (Tax rate 18.6% v/s 34.6%).EPS on adjusted PAT: Rs 15.6 v/s 12.4

### Conference Call KTA

**-Demand:** April and May-2020 witnessed 20% and 28% YoY growth respectively in primary sales, secondary sales too were just ~2-3% lower.

**-Britannia was faster than competition and was first to get operations in order** which aided this growth. In addition to this a) rise in home consumption b) avoiding street and outside food c) buying trusted brands d) increased **penetration** in rural and Hindi belt. Too early to predict continuation of this trend

### FINANCIALS

Particulars	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	84	29	38
FY19	1,10,547	12	17,334	15.7	11,591	15	48	73	27	36
FY20	1,15,996	5	18,431.8	15.9	14,155	22	59	60	32	28
FY21	1,26,165	9	21,279.9	16.9	16,567	17	69	51	30	27
FY22e	1,34,830	6.9	21,941.3	16.3	17,597.0	6.2	73.2	48	26	24



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**-Concentrated on high-throughput SKU's, product mix change in April and May -2020** 20% SKU's which generate 80% of volumes were manufactured which also increased plant efficiency. The company has now got back to other varieties as well. **Innovative** products such as croissants and wafers have taken a back-seat and will re-start from June-20.

**-Bread:** witnessed high single digit growth and profitability improved

**-Dairy:** maintained profit sequentially, despite 50% surge in milk prices

**-International:** Middle East (due to tough economic position) was challenging, however the rest of the world saw high double digit growth.

**Raw Materials** currently are at reasonable levels.

**Other costs** were optimised by lower advertisement spends, rationalize trade spends, increased manpower productivity, avoided discretionary spending, reduced certain fixed cost and re-negotiated contracts

**Network:** Direct reach increased to 22.2 lakh outlets in Feb-20 v/s 21 lakh in March 2019 +5.7% YoY / **Rural** dealers increased by 17% YoY upto Feb-20 to 21000 dealers.

**Market Share** widen reach v/s other competition / all 4 markets in hindi-belt as well witness gains

**Capex** in FY20 stood at Rs 2250mn / expect it to remain in the same range however will be watchful in current year.

**Debt FY20** long-term and short-term put together of Rs 15140.5mn, mainly include the following:

a) Rs 7200mn Bonus Debentures

b) Rs 5000mn working capital for commodities

c) Rs 2800mn Subsidiary loans @2.8% interest rate

**ICD** to group companies stood at ~ 6bn v/s ~6.65bn YoY Overall **Loans** stood at Rs 13130mn (includes ICD and loan given to non-group corporate as well)

**Outlook and valuation**

Britannia's focus on rural penetration and increasing market share in the Hindi Belt (which is the largest consumer of biscuits by volume) has really paid off which is evident from the fact they witnessed 20% growth in April and 28% in May 2020. In this Covid-19 situation also Rural is doing better than Urban supported by better agriculture-income and lesser affected covid zones. Rise in home consumption would definitely push demand of products of a trusted brand such as Britannia and we remain confident on the company's ability to sustain revenue.

**Valuations:** At CMP of Rs 3520 the stock trades at 51x its FY21e EPS of Rs 69 and 48x its FY22e EPS of Rs 73.2 (of our revised estimates). **We assign a PE multiple of 50x on FY22e EPS to arrive at a target price of Rs 3660 i.e. upside of 4% and maintain HOLD.**



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

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## Result Update@ Dalal & Broacha

### Quarterly Snapshot

Particulars (Rs Mns)						
Consolidated	Q4FY20	Q4FY19	Growth	FY20	FY19	Growth
Net Sales	28077.8	27640.1	1.6%	114439.9	109734.6	4.3%
Other Op Income	599.2	349.5	71.4%	1555.8	812.1	91.6%
<b>Total OP Income</b>	<b>28677</b>	<b>27989.6</b>	<b>2.5%</b>	<b>115995.7</b>	<b>110546.7</b>	<b>4.9%</b>
Add: O. Income	786.2	617.9	27.2%	2794	2064.5	35.3%
<b>Total Income</b>	<b>29463.2</b>	<b>28607.5</b>	<b>3.0%</b>	<b>118789.7</b>	<b>112611.2</b>	<b>5.5%</b>
RAW MATERIALS	-17299.9	-16458.6	5.1%	-69274.7	-65614.6	5.6%
Employee Cost	-1209	-1081.9	11.7%	-4866.9	-4418.2	10.2%
O. Exps	-5625.3	-6083.3	-7.5%	-23422.3	-23179.7	1.0%
EBIDTA	5329	4983.7	6.9%	21225.8	19398.7	9.4%
<b>EBIDTA Less O. Inc</b>	<b>4542.8</b>	<b>4365.8</b>	<b>4.1%</b>	<b>18431.8</b>	<b>17334.2</b>	<b>6.3%</b>
Less Int	-269.9	-12.5	2059.2%	-769	-90.9	746.0%
Less Depn	-484.7	-469	3.3%	-1848.1	-1618.8	14.2%
<i>Less Exceptional</i>	-2.8			-170.1	0	
<b>PBT Before Exceptional</b>	<b>4574.4</b>	<b>4502.2</b>	<b>1.6%</b>	<b>18608.7</b>	<b>17689</b>	<b>5.2%</b>
PBT	4571.6	4502.2	1.5%	18438.6	17689	4.2%
Less Tax	-849.2	-1556.5	-45.4%	-4507	-6124.7	-26.4%
Share of Profit/Loss from Associate	1.1	-3	-136.7%	4.4	-9.7	-145.4%
Minority Interest	0	0		0	0	
PAT Reportd	3723.5	2942.7	26.5%	13936	11554.6	20.6%
<b>PAT Adjusted Owner Share</b>	<b>3750.318</b>	<b>2972.3</b>	<b>26.2%</b>	<b>14155.65</b>	<b>11591.1</b>	<b>22.1%</b>
Equity	240.5	240.3		240.5	240.3	
<b>EPS ( Adjusted PAT)</b>	<b>15.6</b>	<b>12.4</b>		<b>58.9</b>	<b>48.2</b>	
OPM	15.8%	15.6%		15.9%	15.7%	
NPM	12.6%	10.3%		11.7%	10.3%	
Tax Rate	-18.6%	-34.6%		-24.4%	-34.6%	
<b>% to Operating Income</b>						
RAW MATERIALS	-60.3%	-58.8%		-59.7%	-59.4%	
Employee Cost	-4.2%	-3.9%		-4.2%	-4.0%	
O. Exps	-19.6%	-21.7%		-20.2%	-21.0%	
Total	-84.2%	-84.4%		-84.1%	-84.3%	



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P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Net Operating Income	99,139.9	1,10,546.7	1,15,995.5	1,26,165.3	1,34,829.7	Net Profit	10,042.3	11,591.2	14,026.3	16,566.6	17,597.0
Raw materials	(61,071.0)	(65,614.6)	(69,274.7)	(77,339.3)	(80,493.3)	Add: Dep. & Amort.	1,420.7	1,618.8	1,848.1	2,041.0	2,233.8
Employee costs	(4,016.0)	(4,418.2)	(4,866.9)	(5,110.2)	(5,723.5)	<b>Cash profits</b>	<b>11,463.0</b>	<b>13,210.0</b>	<b>15,874.4</b>	<b>18,607.5</b>	<b>19,830.9</b>
Other Expenses	(19,036.4)	(23,179.7)	(23,422.1)	(22,435.9)	(26,671.6)	(Inc)/Dec in					
Cost of sales	(84,123.4)	(93,212.5)	(97,563.7)	(1,04,885.4)	(1,12,888.4)	-Sundry debtors	(1,254.4)	(896.4)	738.8	(280.9)	(239.3)
<b>Operating Profit</b>	<b>15,016.5</b>	<b>17,334.2</b>	<b>18,431.8</b>	<b>21,279.9</b>	<b>21,941.3</b>	-Inventories	86.6	(1,285.9)	404.2	(1,231.9)	(593.5)
Depreciation	(1,420.7)	(1,618.8)	(1,848.1)	(2,041.0)	(2,233.8)	-Loans/advances	535.7	(2,829.7)	(1,507.3)	(360.1)	(385.3)
PBIT	13,595.8	15,715.4	16,583.7	19,238.9	19,707.4	-Sundry creditors	2,367.8	1,464.2	(242.3)	914.8	51.5
Other income	1,663.7	2,064.5	2,794.0	3,703.1	4,598.8	-Others	594.8	772.5	872.4	278.2	292.1
Interest	(75.9)	(90.9)	(769.0)	(942.3)	(943.4)	Change in working capital	2,330.5	(2,775.3)	265.8	(679.9)	(874.5)
Profit before tax	15,183.6	17,689.0	18,608.7	21,999.7	23,362.9	<b>CF from Oper. activities</b>	<b>13,793.5</b>	<b>10,434.7</b>	<b>16,140.2</b>	<b>17,927.7</b>	<b>18,956.3</b>
Extraordinary Items / Exception	-	-	(170.1)	-	-	<b>CF from Inv. activities</b>	<b>(10,928.6)</b>	<b>(8,000.0)</b>	<b>(17,299.5)</b>	<b>(5,000.0)</b>	<b>(5,000.0)</b>
Profit before tax (post Excep)	15,183.6	17,689.0	18,438.6	21,999.7	23,362.9	<b>CF from Fin. activities</b>	<b>(2,208.3)</b>	<b>(3,200.7)</b>	<b>1,289.6</b>	<b>(4,956.5)</b>	<b>(5,354.8)</b>
Provision for tax	(5,142.2)	(6,124.7)	(4,507.0)	(5,537.3)	(5,880.4)	<b>Cash generated/(utilised)</b>	<b>656.6</b>	<b>(766.0)</b>	<b>130.3</b>	<b>7,971.2</b>	<b>8,601.5</b>
<b>Reported PAT</b>	<b>10,041.4</b>	<b>11,564.3</b>	<b>13,931.6</b>	<b>16,462.4</b>	<b>17,482.4</b>	Cash at start of the year	1,207.6	1,864.2	1,098.2	1,228.5	9,199.7
Share of Pft and Loss of Associates and Minority Int	0.9	26.9	94.7	104.2	114.6	Cash at end of the year	1,864.2	1,098.2	1,228.5	9,199.7	17,801.2
<b>Adjusted PAT</b>	<b>10,042.3</b>	<b>11,591.2</b>	<b>14,154.8</b>	<b>16,566.6</b>	<b>17,597.0</b>	<b>Ratios</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>
<b>Balance Sheet</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21E</b>	<b>FY22E</b>	OPM	15.1	15.7	15.9	16.9	16.3
Equity capital	240.1	240.3	240.5	240.5	240.5	NPM	10.0	10.3	11.9	12.8	12.6
Reserves	33,822.2	42,292.2	43,787.8	55,398.6	67,731.5	Tax rate	(33.9)	(34.6)	(24.4)	(25.2)	(25.2)
<b>Net worth</b>	<b>34,062.3</b>	<b>42,532.5</b>	<b>44,028.3</b>	<b>55,639.1</b>	<b>67,972.0</b>	<b>Growth Ratios (%)</b>					
Def. Tax Liab.+Minority Int.	131.4	326.8	356.5	455.8	565.1	Net Sales	9.5	11.5	4.9	8.8	6.9
Secured loans	845.7	619.2	7,660.6	7,560.6	7,460.6	Operating Profit	17.5	15.4	6.3	15.5	3.1
Unsecured loans	936.5	761.0	7,479.9	7,479.9	7,379.9	PAT	13.5	15.4	22.1	17.0	6.2
Total debt	1,782.2	1,380.2	15,140.5	15,040.5	14,840.5	<b>Per Share (Rs.)</b>					
<b>CAPITAL EMPLOYED</b>	<b>35,975.9</b>	<b>44,239.5</b>	<b>59,525.3</b>	<b>71,135.4</b>	<b>83,377.6</b>	Net Earnings (EPS)	42	48	59	68.9	73.2
Gross block	15,269.9	20,294.0	23,954.9	26,454.9	28,954.9	Cash Earnings (CPS)	48	55	66	77	82
Accumulated depreciation	(3,095.9)	(4,714.7)	(6,562.8)	(8,603.8)	(10,837.6)	Dividend	12.5	15.0	35.0	20.6	21.9
Net block	12,174.0	15,579.3	17,392.1	17,851.1	18,117.3	Book Value	141.9	177.0	183.1	231.3	262.6
Capital WIP	2,028.2	1,012.4	395.5	395.5	395.5	Free Cash Flow	11.93	10.13	(4.82)	53.75	58.03
<b>Total fixed assets</b>	<b>14,202.2</b>	<b>16,591.7</b>	<b>17,787.6</b>	<b>18,246.6</b>	<b>18,512.8</b>	<b>Valuation Ratios</b>					
Goodwill	1,282.0	1,303.7	1,389.7	1,389.7	1,389.7	PE(x)	83.9	72.8	59.6	51.0	48.0
Investments	10,792.8	14,762.8	28,932.3	31,432.3	33,932.3	P/B(x)	24.7	19.8	19.2	15.2	12.4
Inventories	6,527.9	7,813.8	7,409.6	8,641.5	9,234.9	EV/EBITDA(x)	55.5	47.9	45.1	38.9	37.6
Sundry debtors	3,046.0	3,942.4	3,203.6	3,484.5	3,723.8	Div. Yield(%)	0.4	0.4	1.0	0.6	0.6
Cash & bank	1,864.2	1,098.2	1,228.5	9,199.7	17,801.2	<b>FCF Yield(%)</b>	<b>0.3</b>	<b>0.3</b>	<b>(0.1)</b>	<b>1.5</b>	<b>1.7</b>
Loans & advances	9,785.8	12,229.4	13,130.6	13,130.6	13,130.6	<b>Return Ratios (%)</b>					
Other current assets	4,152.6	4,538.7	5,144.8	5,504.9	5,890.3	ROE	29.5	27.3	32.1	29.8	25.9
Sundry creditors	(9,940.9)	(11,405.1)	(11,162.8)	(12,077.6)	(12,129.1)	ROCE	37.8	35.5	27.9	27.0	23.6
O. Current Liabilities	(4,084.0)	(4,655.3)	(5,563.1)	(5,841.3)	(6,133.3)						
Provisions	(1,878.4)	(2,079.6)	(2,044.2)	(2,044.2)	(2,044.2)						
<b>Working capital</b>	<b>9,473.2</b>	<b>11,482.5</b>	<b>11,347.0</b>	<b>19,998.1</b>	<b>29,474.1</b>						
Deferred Tax Assets	225.7	98.8	68.7	68.7	68.7						
Miscellaneous exp.	-	-	-	-	-						
<b>CAPITAL DEPLOYED</b>	<b>35,975.9</b>	<b>44,239.5</b>	<b>59,525.3</b>	<b>71,135.4</b>	<b>83,377.6</b>						





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