

# Retail Equity Research

## Britannia Industries Limited

FMCG

BSE CODE: 500825

NSE CODE: BRITANNIA

Bloomberg CODE: BRIT:IN

SENSEX: 48,782

**BUY**

12M Investment period Rating as per Large Cap  
CMP Rs. 3,449 TARGET Rs. 3,940 RETURN 14%  
(Closing: 30-04-21) 

KEY CHANGES:

TARGET 

RATING 

EARNINGS 

### Decent performance in Q4

Britannia Industries Limited is a leading food-products company in India. The company sells various brands of confectionaries in India and globally.

- Revenue grew 8.2% YoY in Q4FY21, owing to recovery in volumes, coupled with an upbeat in rural demand during the quarter.
- EBITDA margin expanded 40bps YoY to 16.6%, however contracted 310bps sequentially owing to higher operational expenses. Adj. PAT was down 2.8% YoY impacted by lower other income and higher taxes.
- Company has been running and has plans for several new campaigns as part of its strategy to expand its existing south Indian portfolio in the northern belt and also for its upcoming launches.
- Company's long term outlook looks promising with new launches, improved market share and focus on operational efficiencies. We hereby reiterate our BUY rating on the stock with a revised target price of Rs. 3.940 based on 44x FY23E adj. EPS.

### Topline grows on continued demand

Q4FY21 consolidated revenue grew 8.2% YoY (-2.2% QoQ) to Rs. 3,038cr, owing to continued demand for company's products across both rural and urban demographics. Direct reach outlets during the quarter rose to 23.7 lacs (vs. 14.9 lacs in Q4FY20). Meanwhile, ongoing focus on rural sales led to robust increase in Rural Preferred Dealers (RPDs) at 23.5k (vs. 19.3k in Q4FY20), with gross sales value (GSV) per month improving to Rs. 273cr (vs. 223cr in prior year period). E-commerce business continued to benefit, quadrupling in size to 4.1x in FY21 from 1x levels in FY19.

### Margin expands YoY on operational efficiencies

EBITDA for the quarter rose 11.3% YoY to Rs. 505cr on improved operating costs, however declined 17.3% QoQ impacted by rise in commodity prices, esp. that of red palm oil (RPO) and milk. As a result, EBITDA margins expanded 40bps YoY, but shrank 310bps sequentially to 16.6%. Adjusted PAT stood at Rs. 364cr (vs. 375cr in Q4FY20 & 456cr in Q3FY21), impacted by lower other income (-19.1% YoY) and higher taxes.

### Key concall highlights

- Management plans to set up two factories during FY22, one each in Egypt and Uganda through contract manufacturing to tap into local potential and to penetrate in nearby countries. Company is also evaluating plans to expand presence in other countries via export growth model.
- Management expects high-single digit to double digit growth in demand over the next 2-3 quarters as people get back to normal consumption.
- Company went live with S4 HANA as its new dealer and vendor management platform, which should help improve efficiencies in material resource planning.

### Valuation

Headwinds arising out of the second wave of ongoing pandemic may continue to put pressure on margins over the next few months. Additionally, inflation in commodity prices remains a concern and may impact profitability in the near-term. However, company's growth strategy led by an experienced management has helped the company generate decent profits despite operating in a low gross margin territory. Britannia has been steadily gaining market share and the focus on improving operational efficiencies coupled with planned new launches ensure that the company will get back on a double digit growth trajectory sooner than later. We continue to maintain a positive outlook on the company's long term performance and reiterate our BUY rating on the stock with a TP of Rs. 3,940 based on 44x FY23E adj. EPS.

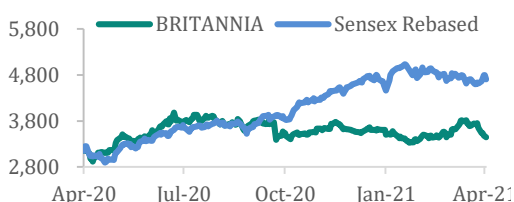
### Company Data

Market Cap (cr)	Rs. 82,359
Enterprise Value (cr)	Rs. 84,766
Outstanding Shares (cr)	24.1
Free Float	49.0%
Dividend Yield	1.8%
52 week high	Rs. 4,015
52 week low	Rs. 2,869
6m average volume (lacs)	0.3
Beta	0.3
Face value	Rs. 1

Shareholding %	Q2FY21	Q3FY21	Q4FY21
Promoters	50.6	50.6	50.6
FII's	16.0	17.7	18.0
MFs/Insti	11.5	10.7	11.2
Public	15.4	15.6	15.7
Others	6.5	5.6	4.6
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	-1.5%	-0.7%	9.0%
Absolute Sensex	5.4%	23.1%	44.7%
Relative Return*	-6.9%	-23.9%	-35.7%

\*over or under performance to benchmark index



Consolidated (cr)	FY21A	FY22E	FY23E
Sales	12,883	13,914	15,319
Growth (%)	12.6	8.0	10.1
EBITDA	2,509	2,512	2,839
EBITDA Margin (%)	19.5	18.1	18.5
Adj. PAT	1,865	1,866	2,155
Growth (%)	31.3	0.1	15.5
Adj. EPS	77.4	77.5	89.5
Growth (%)	31.1	0.1	15.5
P/E	46.1	44.5	38.5
P/B	24.2	19.3	16.1
EV/EBITDA	35.0	33.7	29.7
ROE (%)	52.5	43.4	41.8
D/E	0.6	0.4	0.3

## Quarterly Financials (Consolidated)

### Profit & Loss Account

	Q4FY21	Q4FY20	YoY Growth %	Q3FY21	QoQ Growth %	FY21	FY20	YoY Growth %
Revenue	3,038	2,808	8.2	3,106	(2.2)	12,883	11,444	12.6
<b>EBITDA</b>	<b>505</b>	<b>454</b>	<b>11.3</b>	<b>612</b>	<b>(17.3)</b>	<b>2,509</b>	<b>1,843</b>	<b>36.1</b>
EBITDA margins	16.6	16.2	40bps	19.7	(310bps)	19.5	16.1	340bps
Depreciation	53	48	9.0	49	8.7	198	185	7.1
<b>EBIT</b>	<b>453</b>	<b>406</b>	<b>11.5</b>	<b>563</b>	<b>(19.6)</b>	<b>2,311</b>	<b>1,658</b>	<b>39.4</b>
Interest	24	27	(12.2)	32	(25.5)	111	77	44.2
Other Income	64	79	(19.1)	83	(22.9)	314	280	12.1
Exceptional Items	-	(0)	n.m.	-	-	(1)	(17)	96.4
<b>PBT</b>	<b>493</b>	<b>457</b>	<b>7.7</b>	<b>614</b>	<b>(19.7)</b>	<b>2,514</b>	<b>1,844</b>	<b>36.3</b>
Tax	133	85	56.1	161	(17.7)	663	451	47.1
Share of profit from Associate	1	0	n.m.	0	n.m.	1	0	84.1
Minority Interest	(4)	(2)	(77.1)	(3)	(36.7)	0	(9)	100.6
<b>Reported PAT</b>	<b>364</b>	<b>375</b>	<b>(2.8)</b>	<b>456</b>	<b>(20.1)</b>	<b>1,864</b>	<b>1,403</b>	<b>32.9</b>
Adjustments	-	0	n.m.	-	-	1	17	(96.4)
<b>Adj. PAT</b>	<b>364</b>	<b>375</b>	<b>(2.9)</b>	<b>456</b>	<b>(20.1)</b>	<b>1,865</b>	<b>1,420</b>	<b>31.3</b>
No. of shares	24.1	24.0	0.2	24.1	(0.0)	24.1	24.0	0.2
<b>Adj. EPS (Rs.)</b>	<b>15.1</b>	<b>15.6</b>	<b>(3.0)</b>	<b>18.9</b>	<b>(20.0)</b>	<b>77.4</b>	<b>59.0</b>	<b>31.1</b>

### Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change %	
	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
Revenue	14,713	16,199	13,914	15,319	(5.4)	(5.4)
EBITDA	2,737	2,985	2,512	2,839	(8.2)	(4.9)
Margins (%)	18.6	18.4	18.1	18.5	(50bps)	10bps
Adj. PAT	2,041	2,208	1,866	2,155	(8.6)	(2.4)
Adj. EPS	84.8	91.8	77.5	89.5	(8.7)	(2.5)

## PROFIT & LOSS

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Revenue</b>	<b>10,973</b>	<b>11,444</b>	<b>12,883</b>	<b>13,914</b>	<b>15,319</b>
% change	10.8	4.3	12.6	8.0	10.1
<b>EBITDA</b>	<b>1,733</b>	<b>1,843</b>	<b>2,509</b>	<b>2,512</b>	<b>2,839</b>
% change	15.4	6.3	36.1	0.1	13.0
Depreciation	162	185	198	205	204
<b>EBIT</b>	<b>1,572</b>	<b>1,658</b>	<b>2,311</b>	<b>2,307</b>	<b>2,635</b>
Interest	9	77	111	98	98
Other Income	205	263	313	307	369
<b>PBT</b>	<b>1,768</b>	<b>1,844</b>	<b>2,514</b>	<b>2,516</b>	<b>2,906</b>
% change	16.5	4.3	36.3	0.1	15.5
Tax	612	451	663	664	767
Tax Rate (%)	34.6	24.4	26.4	26.4	26.4
<b>Reported PAT</b>	<b>1,159</b>	<b>1,403</b>	<b>1,864</b>	<b>1,866</b>	<b>2,155</b>
Adj*	-	17	1	-	-
<b>Adj PAT</b>	<b>1,159</b>	<b>1,420</b>	<b>1,865</b>	<b>1,866</b>	<b>2,155</b>
% change	15.4	22.5	31.3	0.1	15.5
No. of shares (cr)	24.0	24.0	24.1	24.1	24.1
<b>Adj EPS (Rs.)</b>	<b>48.2</b>	<b>59.0</b>	<b>77.4</b>	<b>77.5</b>	<b>89.5</b>
% change	15.4	22.4	31.1	0.1	15.5
DPS (Rs.)	15.0	35.0	62.0	46.5	53.7
CEPS (Rs.)	55.0	66.7	85.6	86.0	98.0

## CASH FLOW

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Net inc. + Depn.</b>	<b>1,321</b>	<b>1,587</b>	<b>2,062</b>	<b>2,071</b>	<b>2,359</b>
Non-cash adj.	49	(225)	79	(404)	(202)
Changes in W.C	(214)	122	(290)	(106)	(134)
<b>C.F. Operation</b>	<b>1,156</b>	<b>1,485</b>	<b>1,851</b>	<b>1,561</b>	<b>2,023</b>
Capital exp.	(399)	(243)	(240)	(261)	(288)
Change in inv.	(334)	(1,327)	179	56	(146)
Other invest.CF	(122)	38	522	-	-
<b>C.F - Investment</b>	<b>(856)</b>	<b>(1,532)</b>	<b>461</b>	<b>(206)</b>	<b>(434)</b>
Issue of equity	-	-	103	-	-
Issue/repay debt	(42)	1,359	564	(200)	(180)
Dividends paid	(354)	(1,302)	(2,824)	(1,117)	(1,291)
Other finance.CF	44	0	(87)	-	-
<b>C.F - Finance</b>	<b>(353)</b>	<b>58</b>	<b>(2,244)</b>	<b>(1,317)</b>	<b>(1,471)</b>
Chg. in cash	(52)	11	69	38	118
Closing cash	110	123	211	250	367

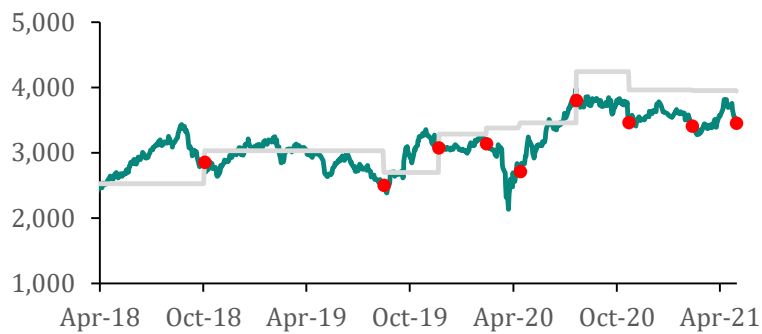
## BALANCE SHEET

Y.E March (Rs. cr)	FY19A	FY20A	FY21A	FY22E	FY23E
Cash	110	123	211	250	367
Accounts Receivable	394	320	257	292	352
Inventories	781	741	1,091	1,163	1,237
Other Cur. Assets	2,241	2,491	2,860	3,267	3,659
Investments	741	1,899	1,402	1,416	1,429
Gross Fixed Assets	2,022	2,203	2,443	2,704	2,992
Net Fixed Assets	1,536	1,716	1,634	1,690	1,774
CWIP	101	40	117	128	141
Intangible Assets	138	147	144	144	144
Def. Tax (Net)	14	20	10	10	11
Other Assets	186	346	283	283	283
<b>Total Assets</b>	<b>6,242</b>	<b>7,842</b>	<b>8,009</b>	<b>8,641</b>	<b>9,398</b>
Current Liabilities	1,775	1,817	2,275	2,373	2,459
Provisions	11	13	-	-	-
Debt Funds	165	1,561	2,141	1,941	1,761
Other Liabilities	4	13	9	9	10
Equity Capital	24	24	24	24	24
Reserves & Surplus	4,229	4,379	3,524	4,272	5,136
Shareholder's Fund	4,253	4,403	3,548	4,296	5,160
Minority Interest	33	36	36	23	8
<b>Total Liabilities</b>	<b>6,242</b>	<b>7,842</b>	<b>8,009</b>	<b>8,641</b>	<b>9,398</b>
<b>BVPS (Rs.)</b>	<b>177</b>	<b>183</b>	<b>147</b>	<b>178</b>	<b>214</b>

## RATIOS

Y.E March	FY19A	FY20A	FY21A	FY22E	FY23E
<b>Profitab. &amp; Return</b>					
EBITDA margin (%)	15.8	16.1	19.5	18.1	18.5
EBIT margin (%)	14.3	14.5	17.9	16.6	17.2
Net profit mgn.(%)	10.6	12.3	14.5	13.4	14.1
ROE (%)	27.3	31.9	52.5	43.4	41.8
ROCE (%)	35.3	27.6	40.4	36.9	38.0
<b>W.C &amp; Liquidity</b>					
Receivables (days)	13.1	10.2	7.3	7.7	8.4
Inventory (days)	43.5	39.0	52.2	51.1	50.2
Payables (days)	63.4	58.8	62.9	61.6	59.8
Current ratio (x)	1.9	1.4	1.2	1.3	1.5
Quick ratio (x)	0.7	0.6	0.5	0.5	0.6
<b>Turnover &amp; Leverage</b>					
Gross asset T.O (x)	6.2	5.4	5.5	5.4	5.4
Total asset T.O (x)	1.9	1.6	1.6	1.7	1.7
Int. coverage ratio (x)	172.9	21.6	20.8	23.4	26.9
Adj. debt/equity (x)	0.0	0.4	0.6	0.4	0.3
<b>Valuation</b>					
EV/Sales (x)	6.7	5.8	6.8	6.1	5.5
EV/EBITDA (x)	42.6	35.9	35.0	33.7	29.7
P/E (x)	63.6	45.6	46.1	44.5	38.5
P/BV (x)	17.3	14.7	24.2	19.3	16.1

## Recommendation Summary



Dates	Rating	Target
16-Aug-19	HOLD	2,695
21-Nov-19	HOLD	3,285
13-Feb-20	HOLD	3,380
13-Apr-20	BUY	3,455
21-Jul-20	HOLD	4,240
22-Oct-20	BUY	3,960
11-Feb-21	BUY	3,950
30-Apr-21	BUY	3,940

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
Not rated			

### Definition:

**Buy:** Acquire at Current Market Price (CMP), with the target mentioned in the research note.

**Accumulate:** Partial buying or to accumulate as CMP dips in the future.

**Hold:** Hold the stock with the expected target mentioned in the note.

**Reduce:** Reduce your exposure to the stock due to limited upside. The stock may still be a quality stock.

**Sell:** Exit from the stock.

**Not rated:** The analyst has no investment opinion on the stock.

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