

ICICI Securities Limited is the author and distributor of this report

Q4FY21 result review and earnings revision

## Consumer Staples & Discretionary

Target price Rs3,200

### Earnings revision

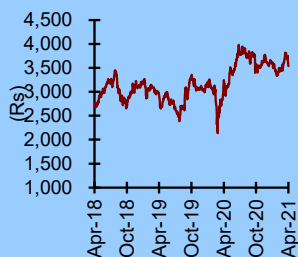
(%)		FY22E	FY23E
Sales	↑	4.8	3.4
EBITDA	↑	1.9	1.5
PAT	↑	0.2	0.6

### Shareholding pattern

	Sep '20	Dec '20	Mar '21
Promoters	50.6	50.6	50.6
Institutional investors	27.5	28.3	29.2
MFs and others	6.5	5.6	4.8
Banks, FI's, Insurance co	4.6	4.9	6.3
FII's	16.4	17.8	18.0
Others	21.9	21.1	20.2

Source: BSE

### Price chart



## INDIA

# Britannia Industries

**REDUCE**

Maintain

Success of new categories and ramp-up of adjacent categories is the key

**Rs3,540**

4Q revenue grew by 9% (2-year CAGR of 6%). Management expects some pantry upstocking in the near term. Market share gains for Brit (strong brand positioning, direct distribution expansion, execution edge) are likely to continue in the near term. Further, national re-launch of Milk Bikis with the strategy to gain market share (currently just 4% share in ~Rs73bn Milk+Glucose biscuits category) by upgrading glucose consumers appears a good strategy. However, success of (at least few) new segments – Salty Snacks, Wafers, Croissants and ramp-up of adjacent categories – Dairy, Rusks, Cakes and now Milk Bikis in biscuits are imperative for re-rating. While lower ad-spends in FY21 have driven profit growth > revenue growth, FY22 is likely to be a low-profit-growth year. Group ICDs and overall ICDs were largely flat YoY. **REDUCE** stays.

- **Revenue growth driven by normalisation of distribution:** Consolidated sales / EBITDA grew 9% / 11% while PAT declined by 3%. Standalone revenues grew 10% (volume growth of 8%; 2-year CAGR of 4%), however declined 1% QoQ – driven by diversification of consumer purchase basket and consumer having more alternatives for snacking. Second wave of covid is likely to lead to higher consumption of biscuits due to some pantry stocking and higher in-home consumption. However, the category tailwind will be lighter as compared to last year due to 1) better prepared competition (regarding supply chains) and 2) better equipped consumers to lockdowns and restrictions.
- **Margin expansion driven by lower input cost and efficiencies:** Gross margin expanded 80bps YoY to 40.5% driven by deflationary input cost (except RPO), factory efficiencies and wastage reduction. EBITDA margin expansion was lower at 30bps YoY to 16.1% driven by higher other expenses (+70bps YoY; increase in A&SP spends). Company is witnessing steep inflation of ~3% (overall) in some of the key input costs (RPO and Milk) which the management plans to mitigate through pricing actions and cost efficiencies.
- **Other Highlights:** 1) Rural distribution (23,500 RPDs) and direct distribution (2.4mn outlets) surpassed pre-covid levels, 2) focus states grew 1.25x faster, 3) E-com grew 4.1x in FY21, 4) OCF / FCF grew 25% / 30% to Rs18.5bn / Rs16.1bn respectively, 5) working capital days increased by 3 days largely due to higher inventory, and 6) Group ICDs and overall ICDs were largely flat YoY.
- **Valuation and risks:** Our earnings estimates are largely unchanged; modelling revenue / EBITDA / PAT CAGR of 10% / 9% / 8% over FY21-23E. Maintain **REDUCE** with a DCF-based unchanged target price of Rs3,200. At our target price, the stock will trade at 35x March'23E. Key upside risk to our thesis is faster-than-expected revenue growth in core biscuits.

Market Cap	Rs853bn/US\$11.4bn	Year to March	FY20	FY21P	FY22E	FY23E
Reuters/Bloomberg	BRIT.BO/BRIT IN	Revenue (Rs mn)	115,996	131,361	143,635	159,459
Shares Outstanding (mn)	240.9	Adj. Net Profit (Rs mn)	14,196	18,645	19,352	21,844
52-week Range (Rs)	3983/2915	Dil. Rec. EPS (Rs)	59.0	77.4	80.3	90.7
Free Float (%)	49.4	% Chg YoY	22.4	31.1	3.8	12.9
FII (%)	18.0	P/E (x)	60.0	45.8	44.1	39.1
Daily Volume (US\$'000)	35,679	CEPS (Rs)	66.7	85.6	89.0	100.8
Absolute Return 3m (%)	(0.4)	EV/EBITDA (x)	46.1	33.9	32.5	28.8
Absolute Return 12m (%)	14.6	Dividend Yield (%)	1.0	4.1	1.0	1.2
Sensex Return 3m (%)	3.4	RoCE (%)	24.0	29.0	30.3	29.7
Sensex Return 12m (%)	55.8	RoE (%)	32.8	46.9	51.4	46.9

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**Table 1: Details of inter- corporate deposits (consolidated)**

(Rs mn)

	FY16	FY17	FY18	FY19	FY20
<b>ICDs to group companies</b>					
Bombay Dyeing & Manufacturing Co Ltd	1,000	3,500	3,500	3,500	3,500
Go Airlines (India) Limited	-	-	-	3,350	2,500
The Bombay Burmah Trading Corporation Ltd	400	400	-	-	-
Scal Services Ltd (based on comfort letter from Bombay Dyeing & Manufacturing Co Ltd)	1,500	-	-	-	-
Macrofil Investments Ltd *	600	600	-	-	300
<b>Total ICDs to group companies</b>	<b>3,500</b>	<b>4,500</b>	<b>3,500</b>	<b>6,850</b>	<b>6,300</b>
<b>Total ICDs</b>	<b>6,358</b>	<b>8,535</b>	<b>9,603</b>	<b>11,992</b>	<b>12,884</b>
ICDs to group companies (as a % of total ICDs)	55	53	36	57	49
<b>Total Loans &amp; Advances</b>	<b>6,545</b>	<b>8,750</b>	<b>9,786</b>	<b>12,229</b>	<b>13,131</b>
ICDs to group companies (as a % of total L&A)	53	51	36	56	48
ICD placed	3,858	5,125	7,672	8,743	12,934
ICD redeemed	(750)	(2,948)	(6,604)	(6,354)	(12,042)
<b>Net ICD placed</b>	<b>3,108</b>	<b>2,178</b>	<b>1,068</b>	<b>2,389</b>	<b>892</b>

Source: Company data, I-Sec research \* same address as The Bombay Burmah Trading Company

**Table 2: Q4FY21 results review (Consolidated)**

(Rs mn)

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY21	FY20	YoY (%)
<b>Net revenue</b>	<b>31,308</b>	<b>28,677</b>	<b>9</b>	<b>31,656</b>	<b>(1)</b>	<b>131,361</b>	<b>115,996</b>	<b>13</b>
COGS	(18,636)	(17,300)	8	(18,014)	3	(76,261)	(69,275)	10
<b>Gross profit</b>	<b>12,671</b>	<b>11,377</b>	<b>11</b>	<b>13,642</b>	<b>(7)</b>	<b>55,100</b>	<b>46,721</b>	<b>18</b>
Staff cost	(1,242)	(1,209)	3	(1,318)	(6)	(5,274)	(4,867)	8
Other opex	(6,375)	(5,625)	13	(6,209)	3	(24,734)	(23,422)	6
<b>Total opex</b>	<b>(7,617)</b>	<b>(6,834)</b>	<b>11</b>	<b>(7,527)</b>	<b>1</b>	<b>(30,008)</b>	<b>(28,289)</b>	<b>6</b>
<b>EBITDA</b>	<b>5,054</b>	<b>4,543</b>	<b>11</b>	<b>6,115</b>	<b>(17)</b>	<b>25,092</b>	<b>18,432</b>	<b>36</b>
Other income	632	786	(20)	826	(23)	3,129	2,794	12
Finance Cost	(237)	(270)	(12)	(318)	(25)	(1,109)	(769)	44
D&A	(528)	(485)	9	(486)	9	(1,979)	(1,848)	7
<b>PBT</b>	<b>4,921</b>	<b>4,574</b>	<b>8</b>	<b>6,137</b>	<b>(20)</b>	<b>25,134</b>	<b>18,609</b>	<b>35</b>
Tax	(1,326)	(849)	56	(1,611)	(18)	(6,630)	(4,507)	47
<b>PAT before MI</b>	<b>3,595</b>	<b>3,725</b>	<b>(3)</b>	<b>4,526</b>	<b>(21)</b>	<b>18,504</b>	<b>14,102</b>	<b>31</b>
Minority Interest	48	25		31		141	95	
<b>PAT after MI</b>	<b>3,643</b>	<b>3,750</b>	<b>(3)</b>	<b>4,558</b>	<b>(20)</b>	<b>18,645</b>	<b>14,196</b>	<b>31</b>
<b>EPS (Rs)</b>	<b>14.9</b>	<b>15.5</b>	<b>(4)</b>	<b>18.8</b>	<b>(21)</b>	<b>76.9</b>	<b>58.7</b>	<b>31</b>
<b>Costs as a % of sales</b>								
COGS	59.5	60.3	-81 bps	56.9	261 bps	58.1	59.7	-167 bps
<b>Gross margin (%)</b>	<b>40.5</b>	<b>39.7</b>	<b>80 bps</b>	<b>43.1</b>	<b>-262 bps</b>	<b>41.9</b>	<b>40.3</b>	<b>166 bps</b>
Staff cost	4.0	4.2	-25 bps	4.2	-20 bps	4.0	4.2	-19 bps
Other opex	20.4	19.6	74 bps	19.6	75 bps	18.8	20.2	-137 bps
<b>EBITDA margin (%)</b>	<b>16.1</b>	<b>15.8</b>	<b>30 bps</b>	<b>19.3</b>	<b>-318 bps</b>	<b>19.1</b>	<b>15.9</b>	<b>321 bps</b>
Income tax rate (%)	26.9	18.6	837 bps	26.2	69 bps	26.4	24.2	215 bps

Source: Company data, I-Sec research

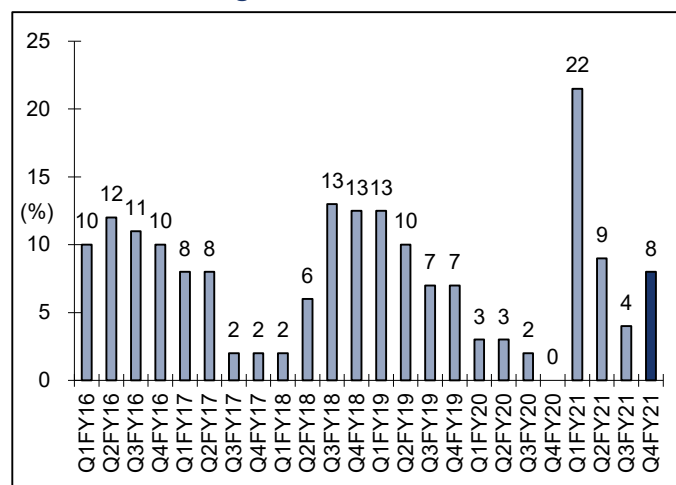
**Table 3: Q4FY21 results review (Standalone)**

(Rs mn)

	Q4FY21	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	FY21	FY20	YoY (%)
<b>Net revenue</b>	<b>29,526</b>	<b>26,919</b>	<b>10</b>	<b>29,787</b>	<b>(1)</b>	<b>123,788</b>	<b>109,867</b>	<b>13</b>
COGS	(17,882)	(16,590)	8	(17,410)	3	(73,750)	(66,577)	11
<b>Gross profit</b>	<b>11,645</b>	<b>10,329</b>	<b>13</b>	<b>12,377</b>	<b>(6)</b>	<b>50,039</b>	<b>43,290</b>	<b>16</b>
Staff cost	(930)	(897)	4	(1,011)	(8)	(4,029)	(3,689)	9
Other opex	(5,837)	(5,130)	14	(5,659)	3	(22,498)	(21,895)	3
<b>Total opex</b>	<b>(6,767)</b>	<b>(6,027)</b>	<b>12</b>	<b>(6,670)</b>	<b>1</b>	<b>(26,526)</b>	<b>(25,584)</b>	<b>4</b>
<b>EBITDA</b>	<b>4,878</b>	<b>4,303</b>	<b>13</b>	<b>5,707</b>	<b>(15)</b>	<b>23,512</b>	<b>17,706</b>	<b>33</b>
Other income	565	752	(25)	778	(27)	2,928	3,356	(13)
Finance Cost	(205)	(207)	(1)	(287)	(28)	(978)	(652)	50
D&A	(452)	(393)	15	(409)	10	(1,668)	(1,517)	10
<b>PBT</b>	<b>4,787</b>	<b>4,455</b>	<b>7</b>	<b>5,789</b>	<b>(17)</b>	<b>23,794</b>	<b>18,893</b>	<b>26</b>
Tax	(1,252)	(643)	95	(1,505)	(17)	(6,194)	(4,240)	46
<b>Recurring PAT</b>	<b>3,535</b>	<b>3,812</b>	<b>(7)</b>	<b>4,284</b>	<b>(17)</b>	<b>17,600</b>	<b>14,653</b>	<b>20</b>
<b>EPS (Rs)</b>	<b>14.7</b>	<b>15.8</b>	<b>(7)</b>	<b>17.8</b>	<b>(17)</b>	<b>73.1</b>	<b>61.0</b>	<b>20</b>
<b>Cost as a % of sales</b>								
COGS	60.6	61.6	-107 bps	58.4	211 bps	59.6	60.6	-103 bps
<b>Gross margin (%)</b>	<b>39.4</b>	<b>38.4</b>	<b>106 bps</b>	<b>41.6</b>	<b>-212 bps</b>	<b>40.4</b>	<b>39.4</b>	<b>102 bps</b>
Staff cost	3.1	3.3	-19 bps	3.4	-25 bps	3.3	3.4	-11 bps
Other opex	19.8	19.1	71 bps	19.0	77 bps	18.2	19.9	-176 bps
<b>EBITDA margin (%)</b>	<b>16.5</b>	<b>16.0</b>	<b>53 bps</b>	<b>19.2</b>	<b>-264 bps</b>	<b>19.0</b>	<b>16.1</b>	<b>287 bps</b>
Income tax rate (%)	26.2	14.4	1171 bps	26.0	15 bps	26.0	22.4	359 bps

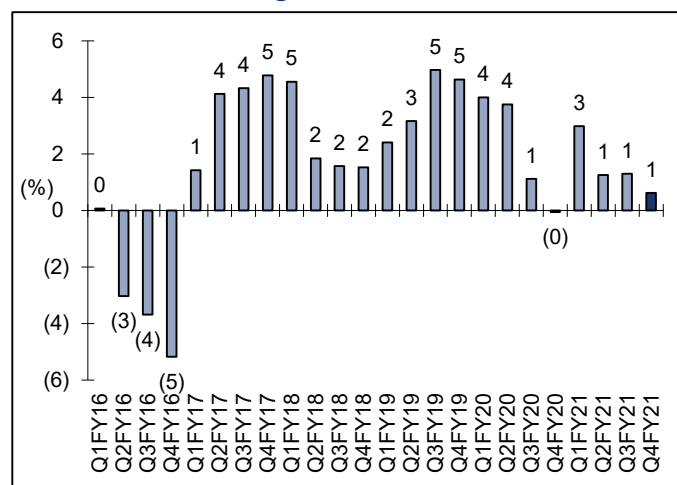
Source: Company data, I-Sec research

**Chart 1: Volume growth**



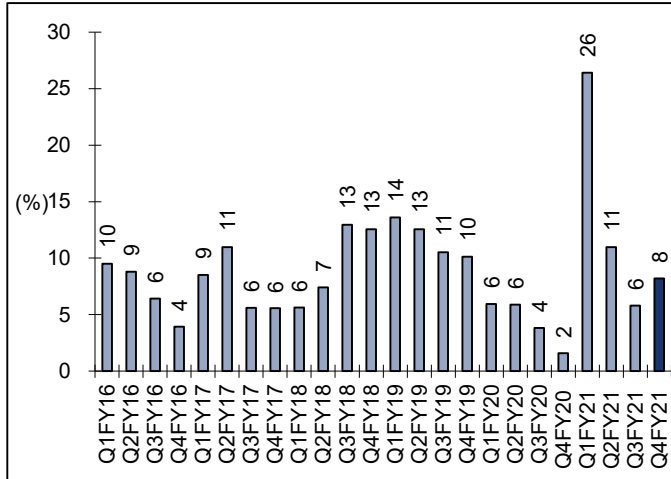
Source: Company data, I-Sec research

**Chart 2: Price / mix growth**



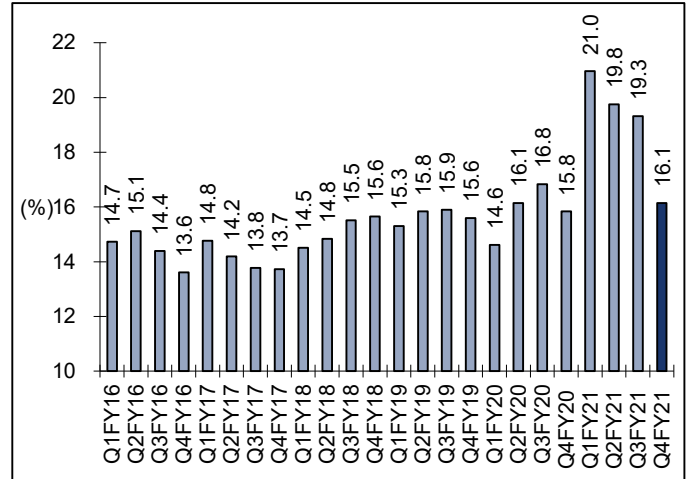
Source: Company data, I-Sec research

**Chart 3: Consolidated revenue growth**



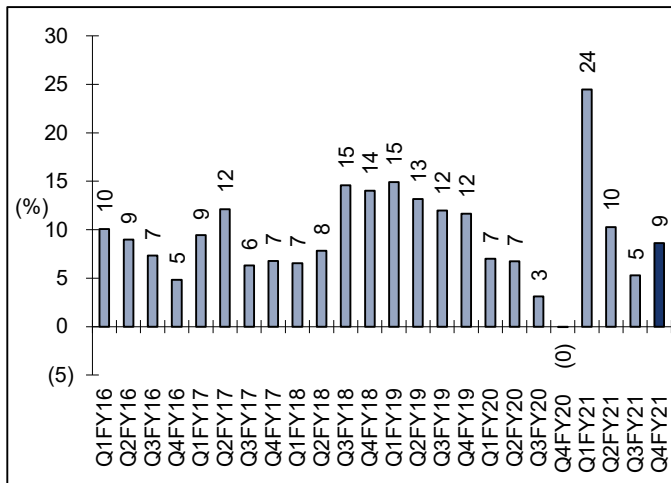
Source: Company data, I-Sec research

**Chart 4: Consolidated EBITDA margin**



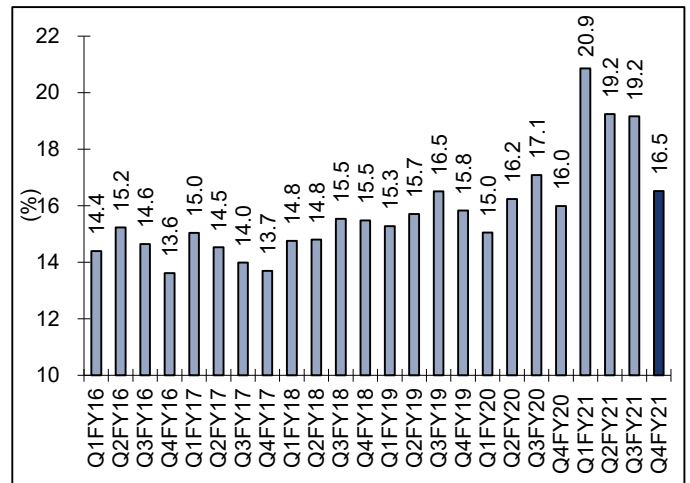
Source: Company data, I-Sec research

**Chart 5: Standalone revenue growth**



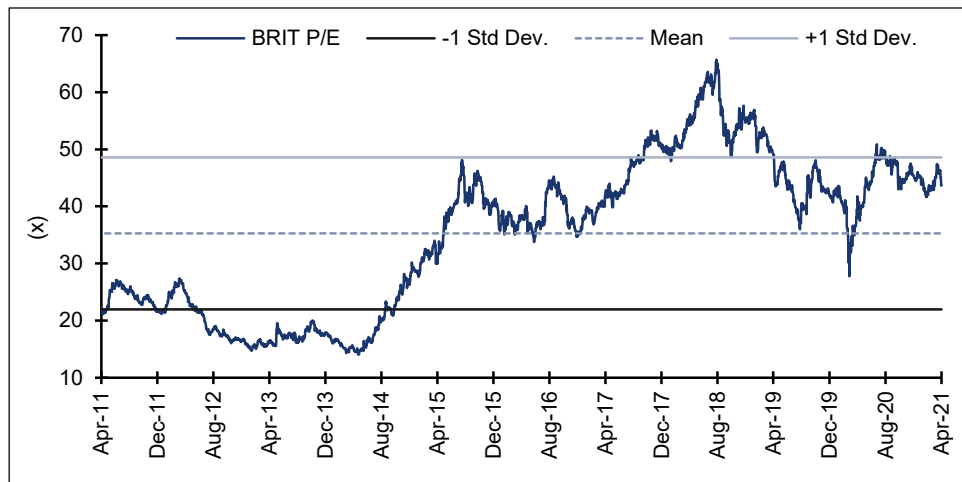
Source: Company data, I-Sec research

**Chart 6: Standalone EBITDA margin**



Source: Company data, I-Sec research

**Chart 7: Mean P/E and standard deviations**



Source: Company data, I-Sec research

## Financial summary

**Table 4: Profit & Loss statement**

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Net Sales</b>	<b>115,996</b>	<b>131,361</b>	<b>143,635</b>	<b>159,459</b>
<b>Operating Expenses</b>	<b>97,564</b>	<b>106,269</b>	<b>117,401</b>	<b>129,901</b>
<b>EBITDA</b>	<b>18,432</b>	<b>25,093</b>	<b>26,234</b>	<b>29,558</b>
% margins	15.9	19.1	18.3	18.5
Depreciation & Amortisation	1,848	1,979	2,089	2,429
Gross Interest	769	1,109	1,218	1,210
Other Income	2,794	3,129	2,896	3,244
<b>Recurring PBT</b>	<b>18,609</b>	<b>25,134</b>	<b>25,823</b>	<b>29,164</b>
Less: Taxes	4,507	6,630	6,612	7,461
Less: Minority Interest	95	141	141	141
<b>Net Income (Reported)</b>	<b>14,026</b>	<b>18,639</b>	<b>19,352</b>	<b>21,844</b>
Extraordinaries (Net)	(170)	(6)	-	-
<b>Recurring Net Income</b>	<b>14,196</b>	<b>18,645</b>	<b>19,352</b>	<b>21,844</b>

Source: Company data, I-Sec research

**Table 5: Balance sheet**

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	36,750	44,197	49,310	64,121
of which cash & cash eqv.	1,229	2,113	4,669	16,172
Total Current Liabilities & Provisions	18,173	22,749	24,767	27,380
<b>Net Current Assets</b>	<b>18,577</b>	<b>21,448</b>	<b>24,543</b>	<b>36,741</b>
Investments	22,444	16,842	17,037	17,289
Net Fixed Assets	18,637	17,787	18,673	19,409
Capital Work-in-Progress	396	1,165	1,165	1,165
<b>Total Assets</b>	<b>60,054</b>	<b>57,243</b>	<b>61,418</b>	<b>74,604</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>15,738</b>	<b>21,412</b>	<b>21,312</b>	<b>21,227</b>
<b>Deferred Tax Liability</b>	<b>(69)</b>	<b>(10)</b>	<b>(10)</b>	<b>(10)</b>
Minority Interest	357	363	222	81
Equity Share Capital	241	241	241	241
Face Value per share (Rs)	1	1	1	1
Reserves & Surplus	43,788	35,236	39,652	53,065
Less: Misc. Exp. n.w.o.				
<b>Net Worth</b>	<b>44,028</b>	<b>35,477</b>	<b>39,893</b>	<b>53,306</b>
<b>Total Liabilities</b>	<b>60,054</b>	<b>57,243</b>	<b>61,418</b>	<b>74,604</b>

Source: Company data, I-Sec research

**Table 6: Quarterly trends**

(Rs mn, year ending March 31)

	Jun 20	Sep 20	Dec 20	Mar 21
<b>Net sales</b>	<b>34,207</b>	<b>34,191</b>	<b>31,656</b>	<b>31,308</b>
% growth (YoY)	26.4	11.0	5.8	8.2
<b>EBITDA</b>	<b>7,169</b>	<b>6,754</b>	<b>6,115</b>	<b>5,054</b>
Margin (%)	21.0	19.8	19.3	16.1
Other income	937	735	826	632
Extraordinaries (Net)	(1)	(5)	-	-
<b>Net profit</b>	<b>5,457</b>	<b>4,981</b>	<b>4,558</b>	<b>3,643</b>

Source: Company data, I-Sec research

**Table 7: Cashflow statement**

(Rs mn, year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Operating Cashflow</b>	<b>13,571</b>	<b>19,072</b>	<b>20,685</b>	<b>23,209</b>
Working Capital	1,274	(562)	(684)	(882)
Changes				
Capital Commitments	(2,442)	(2,421)	(2,975)	(3,165)
<b>Free Cashflow</b>	<b>12,404</b>	<b>16,090</b>	<b>17,026</b>	<b>19,162</b>
<b>Cashflow from Investing Activities</b>	<b>(15,316)</b>	<b>4,613</b>	<b>(1,142)</b>	<b>(1,033)</b>
Issue of Share Capital	240	1,032	-	-
Inc (Dec) in Borrowings	13,357	4,769	(1,368)	(1,360)
Dividend paid	(13,017)	(28,238)	(14,936)	(8,432)
<b>Chg. in Cash &amp; Bank balance</b>	<b>108</b>	<b>686</b>	<b>2,555</b>	<b>11,503</b>
Closing cash & balance	812	1,427	3,983	15,486

Source: Company data, I-Sec research

**Table 8: Key ratios**

(Year ending March 31)

	FY20	FY21P	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	59.0	77.4	80.3	90.7
Cash EPS	66.7	85.6	89.0	100.8
Dividend per share (DPS)	35.0	145.0	35.0	41.0
Book Value per share (BV)	183.1	147.3	165.6	221.3
<b>Growth (%)</b>				
Net Sales	4.3	12.6	9.3	11.0
EBITDA	6.3	36.1	4.5	12.7
PAT	22.5	31.3	3.8	12.9
DPS	133.3	314.3	(75.9)	17.1
<b>Valuation Ratios (x)</b>				
P/E	60.0	45.8	44.1	39.1
P/CEPS	53.1	41.4	39.8	35.1
P/BV	19.3	24.0	21.4	16.0
EV / EBITDA	46.1	33.9	32.5	28.8
EV / Sales	7.4	6.6	6.1	5.5
<b>Operating Ratios</b>				
Raw Material / Sales (%)	59.7	58.1	58.1	58.3
Employee cost / Sales (%)	4.2	4.0	4.0	4.0
Other exps / Sales (%)	20.2	18.8	19.6	19.1
Other Income / PBT (%)	15.0	12.4	11.2	11.1
Effective Tax Rate (%)	24.2	26.4	25.6	25.6
Working Capital (days)	32.3	21.8	21.7	21.6
Inventory Turnover (days)	23.3	30.3	30.1	29.8
Receivables (days)	10.1	7.1	7.2	7.3
Payables (days)	35.1	36.5	36.3	36.0
Net D/E (x)	0.1	0.1	0.1	(0.2)
<b>Profitability Ratios (%)</b>				
Net Income Margins	12.2	14.2	13.5	13.7
RoACE	20.9	29.7	29.2	27.1
RoAE	32.2	52.6	48.5	41.0
Dividend Payout	59.3	187.3	43.6	45.2
Dividend Yield	1.0	4.1	1.0	1.2
EBITDA Margins	15.9	19.1	18.3	18.5

Source: Company data, I-Sec research

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