

July 17, 2020

## Q1FY21 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	4,316		4,046	
Sales (Rs. m)	1,45,115	1,62,494	1,41,850	1,58,807
% Chng.	2.3	2.3		
EBITDA (Rs. m)	26,765	30,614	25,272	28,897
% Chng.	5.9	5.9		
EPS (Rs.)	83.3	96.9	78.0	90.5
% Chng.	6.8	7.1		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	1,09,867	1,29,596	1,45,115	1,62,494
EBITDA (Rs. m)	17,707	24,550	26,765	30,614
Margin (%)	16.1	18.9	18.4	18.8
PAT (Rs. m)	14,653	18,428	20,039	23,314
EPS (Rs.)	60.9	76.6	83.3	96.9
Gr. (%)	30.5	25.8	8.7	16.3
DPS (Rs.)	35.0	35.0	40.0	45.0
Yield (%)	0.9	0.9	1.1	1.2
RoE (%)	35.2	38.2	33.7	32.3
RoCE (%)	34.0	38.3	37.4	38.1
EV/Sales (x)	8.2	6.9	6.1	5.4
EV/EBITDA (x)	51.0	36.4	33.0	28.5
PE (x)	62.1	49.4	45.4	39.0
P/BV (x)	21.3	16.9	13.9	11.5

### Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.3,938 / Rs.2,100
Sensex / Nifty	37,020 / 10,902
Market Cap	Rs.911bn/ \$ 12,141m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.6336.58m

### Shareholding Pattern (%)

Promoter's	50.63
Foreign	14.71
Domestic Institution	13.38
Public & Others	21.28
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	11.3	21.1	35.3
Relative	0.7	37.3	43.3

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## Running in Fifth Gear: BUY

### Quick Pointers:

- Volume grows 21.5%, while value-led and mix-led growth at 2.5% each
- Operational efficiency and rationalization of ad-spend drives EBITDA growth

**We are upgrading our FY21/22E EPS estimates by 13.4%/6.8% as BRIT seems confident of sustaining growth momentum on back of improved direct distribution in rural (up 15% in 3 months) and weak states, product innovation/launches (Cream wafers, milkshakes, biscuits, lassi), agility to rebound during Covid and cost efficiency measures. BRIT has proved its resilience during testing times and has emerged stronger than ever recording volume growth of 21.5% and 580bps EBITDA margin expansion led by benign input costs, operating leverage, lower product discounts, efficiency in production, zero stock returns and focus on most profitable brands/sku's.**

**We believe BRIT will maintain strong momentum led by 1) increased in-house consumption 2) focus on hygiene resulting in consumers gravitating to strong brands and 3) higher growth in low competition adjacencies like Bread, Cake, Rusk, Cream wafers etc. (~20% of sales). Mgt guidance of 4-5 new units and Rs7bn capex in Bakery business over next 2/3 shows optimism in BRIT sustaining double digit topline growth and sustained market share gains. We estimate 25.8% PAT growth in FY1 and 16.9% CAGR over FY2023. We value the stock at 46x Sep-22 EPS and arrive at SOTP based target price of Rs4316. Retain Buy**

**Concall Takeaways:** 1) Launched Lassi (2 flavors) and Layer Cake with (Rs5 price point) 2) Focus on producing Goodday, Digestive, Milk Bikis, Cream biscuits resulted in high throughput and 2.5% increase in sales realization 3) 200bps EBITDA margin expansion contributed by savings in ad spend and balance by operating leverage. 4) RM inflation of 3% in 1Q. 5) Bread and rusk sales grew faster than company average on higher in home consumption 6) Middle East business grew in high single digit while other territories grew at strong double digits. 7) Dairy business led by cheese grew by 60%. 8) June category growth will be around double digit and can expect momentum to sustain for coming 2-3 quarters. 8) General trade grew faster by 30% than overall growth, Modern trade took a hit while Ecom grew 300% 9) Overall Group ICD remains at Rs6bn, however Go Air has paid pack Rs 2.5bn ICD 10) Capex of Rs 7bn for bakery facilities at UP, Bihar, Orissa, Tamil Nadu and Ranjangaon, spread over 2-3 years.

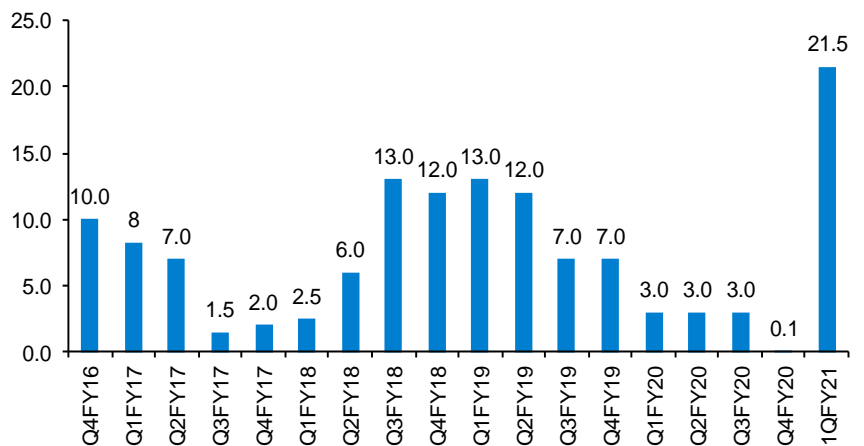
**Sales up 24.8%, Adj PAT up 93.8%:** Standalone Net sales increased 24.8% YoY to Rs 32.19bn (Est Rs31.21bn), Gross margins expanded 20bps to 40.2%. EBITDA increased 73% YoY to Rs 6.71bn (Est Rs 5.15bn) and EBITDA margins expanded 580bps to 20.9% (Est 16.5%) on back of cost efficiencies through extraction of supply chain efficiencies, reduction in wastages and fixed costs leverage along with rationalized media spends. PBT increased 70.8% to Rs 6.97bn (Est Rs 5.04bn). Adj. PAT increased 93.8% YoY to Rs 5.16bn (Est Rs 3.73bn). Subsidiary sales were up 66% YoY to Rs 2.0bn, PAT at Rs 268m vs loss of Rs 20m in 1QFY20.

**Exhibit 1: 1QFY21 Standalone Results: Sales up 24.8%, Adj PAT up 93.6% on operating leverage led gains**

Y/e March (Rs m)	Q1FY21	Q1FY20	YoY gr. (%)	Q4FY20	FY20	FY19	YoY gr. (%)
<b>Net Sales</b>	<b>32,199</b>	<b>25,795</b>	<b>24.8</b>	<b>26,919</b>	<b>1,09,867</b>	<b>1,04,825</b>	<b>4.8</b>
Gross Profit	12,929	10,307	25.4	10,329	43,290	42,048	3.0
<i>Margins (%)</i>	<i>40.2</i>	<i>40.0</i>		<i>38.4</i>	<i>39.4</i>	<i>40.1</i>	
Other Expenses	6,212	6,425	(3.3)	6,027	25,584	25,427	0.6
<i>% of Sales</i>	<i>19.3</i>	<i>24.9</i>		<i>22.4</i>	<i>23.3</i>	<i>24.3</i>	
<b>EBITDA</b>	<b>6,718</b>	<b>3,882</b>	<b>73.0</b>	<b>4,303</b>	<b>17,706</b>	<b>16,621</b>	<b>6.5</b>
<i>Margins (%)</i>	<i>20.9</i>	<i>15.0</i>		<i>16.0</i>	<i>16.1</i>	<i>15.9</i>	
Depreciation	401	373	7.5	393	1,517	1,350	12.4
Interest	219	83		207	652	15	
Other Income	873	655	33.2	752	3,356	1,905	76.1
<b>PBT</b>	<b>6,971</b>	<b>4,081</b>	<b>70.8</b>	<b>4,455</b>	<b>18,893</b>	<b>17,161</b>	<b>10.1</b>
Tax	1,813	1,419	27.7	643	4,240	5,939	(28.6)
<i>Tax Rate (%)</i>	<i>26.0</i>	<i>34.8</i>		<i>14.4</i>	<i>22.4</i>	<i>34.6</i>	
<b>Adjusted PAT</b>	<b>5,159</b>	<b>2,662</b>	<b>93.8</b>	<b>3,812</b>	<b>14,653</b>	<b>11,222</b>	<b>30.6</b>

Source: Company, PL

**Exhibit 2: Highest ever volume growth in 1Q, at 21.5%**



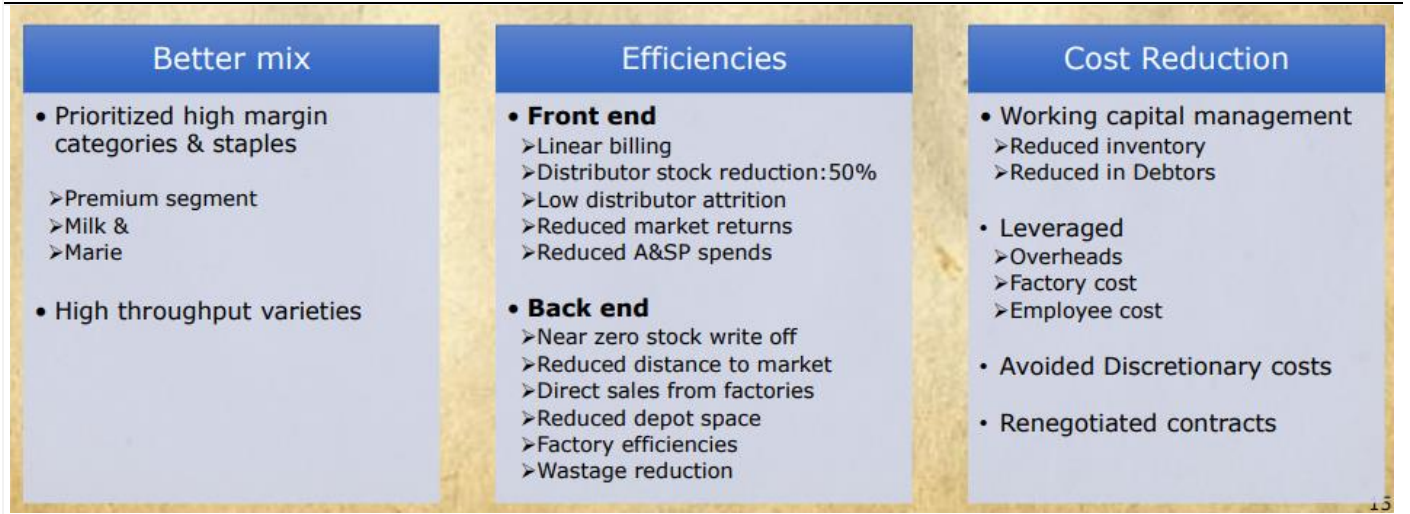
Source: Company Data, PL Research

**Exhibit 3: New Launches during 1Q: Lassi and Layer Cake**



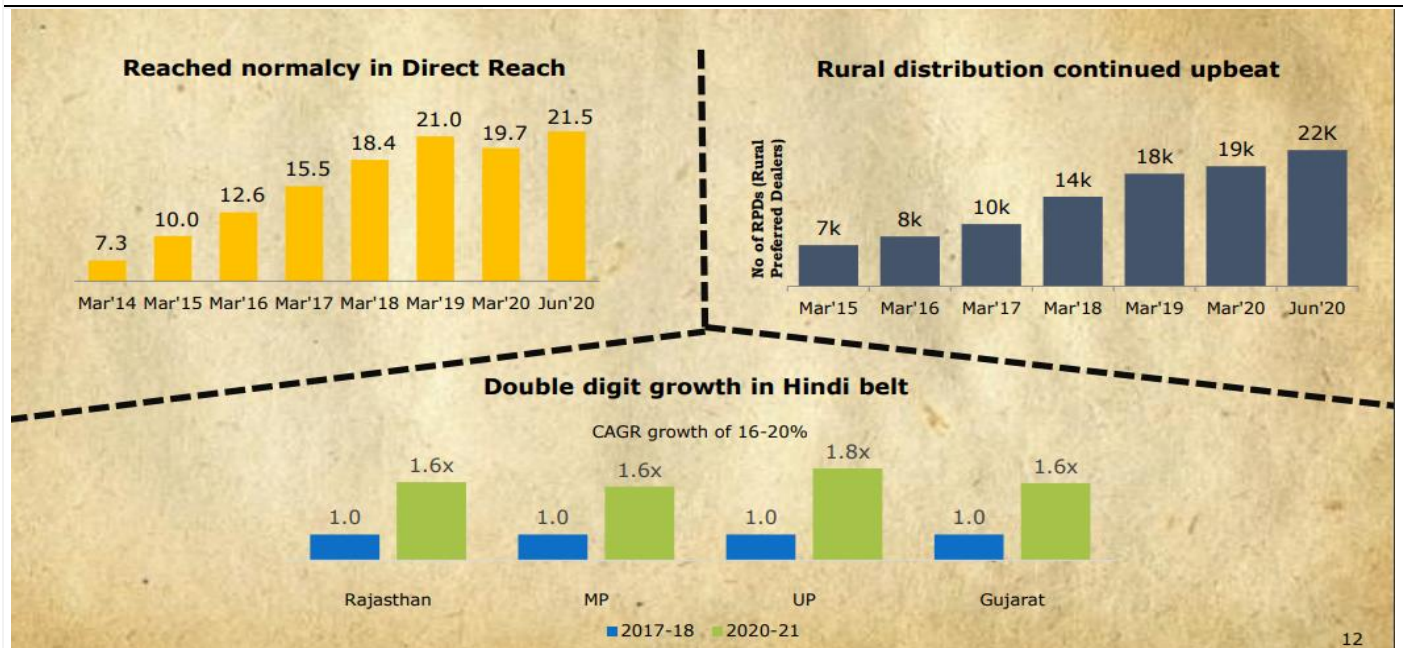
Source: Company, PL

Exhibit 4: Agility in Cost control



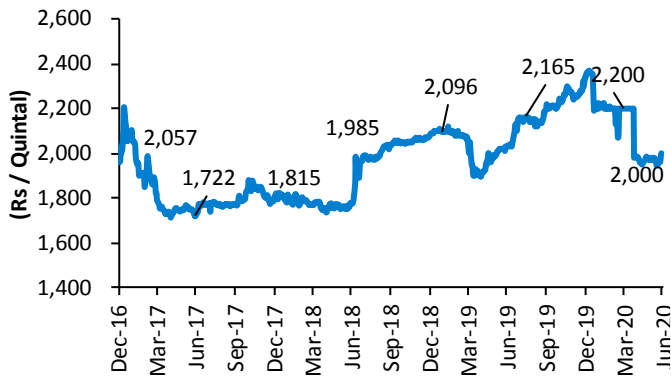
Source: Company, PL

Exhibit 5: Distribution back to normal now



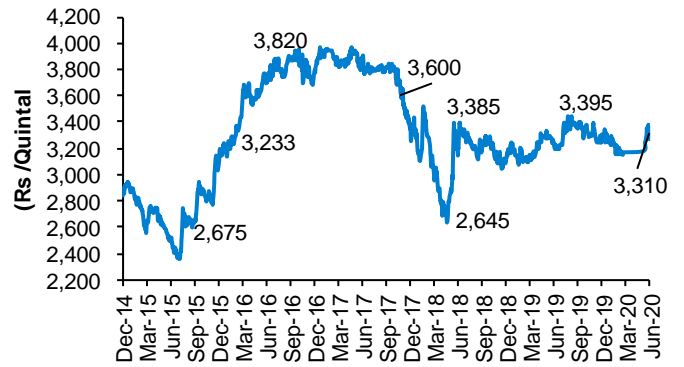
Source: Company, PL

**Exhibit 6: Wheat prices up 2.3% YoY**



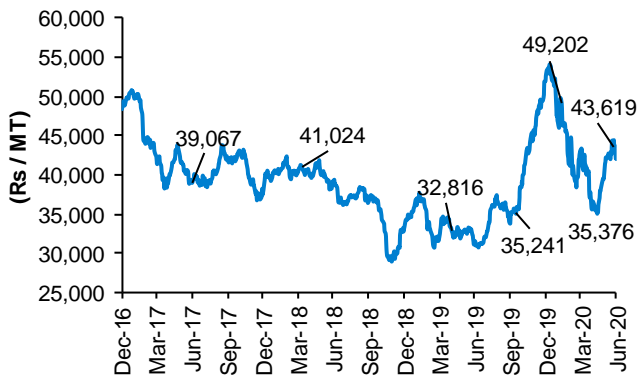
Source: Bloomberg, PL

**Exhibit 7: Sugar prices at Rs 3.295/quintal**



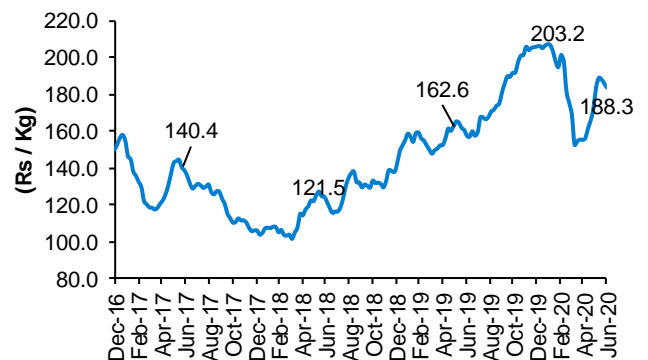
Source: Bloomberg, PL

**Exhibit 8: Palmoil prices down 13.5% QoQ**



Source: Bloomberg, PL

**Exhibit 9: SMP price up 13.8% in last 1 month**



Source: Bloomberg, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>1,09,867</b>	<b>1,29,596</b>	<b>1,45,115</b>	<b>1,62,494</b>
YoY gr. (%)	4.8	18.0	12.0	12.0
Cost of Goods Sold	66,577	77,348	86,255	96,244
Gross Profit	43,290	52,248	58,859	66,250
Margin (%)	39.4	40.3	40.6	40.8
Employee Cost	3,689	4,214	4,576	4,965
Other Expenses	5,704	6,640	7,365	8,048
<b>EBITDA</b>	<b>17,707</b>	<b>24,550</b>	<b>26,765</b>	<b>30,614</b>
YoY gr. (%)	6.5	38.6	9.0	14.4
Margin (%)	16.1	18.9	18.4	18.8
Depreciation and Amortization	1,517	1,797	1,974	2,151
<b>EBIT</b>	<b>16,190</b>	<b>22,753</b>	<b>24,791</b>	<b>28,463</b>
Margin (%)	14.7	17.6	17.1	17.5
Net Interest	652	797	242	167
Other Income	3,354	2,747	2,313	2,957
<b>Profit Before Tax</b>	<b>18,893</b>	<b>24,703</b>	<b>26,862</b>	<b>31,252</b>
Margin (%)	17.2	19.1	18.5	19.2
Total Tax	4,240	6,275	6,823	7,938
Effective tax rate (%)	22.4	25.4	25.4	25.4
<b>Profit after tax</b>	<b>14,653</b>	<b>18,428</b>	<b>20,039</b>	<b>23,314</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>14,653</b>	<b>18,428</b>	<b>20,039</b>	<b>23,314</b>
YoY gr. (%)	30.6	25.8	8.7	16.3
Margin (%)	13.3	14.2	13.8	14.3
Extra Ord. Income / (Exp)	190	-	-	-
<b>Reported PAT</b>	<b>14,843</b>	<b>18,428</b>	<b>20,039</b>	<b>23,314</b>
YoY gr. (%)	32.3	24.2	8.7	16.3
Margin (%)	13.5	14.2	13.8	14.3
Other Comprehensive Income	(46)	-	-	-
Total Comprehensive Income	14,797	18,428	20,039	23,314
<b>Equity Shares O/s (m)</b>	<b>241</b>	<b>241</b>	<b>241</b>	<b>241</b>
<b>EPS (Rs)</b>	<b>60.9</b>	<b>76.6</b>	<b>83.3</b>	<b>96.9</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>24,867</b>	<b>27,412</b>	<b>29,962</b>	<b>32,512</b>
Tangibles	24,427	26,927	29,427	31,927
Intangibles	441	486	536	586
<b>Acc: Dep / Amortization</b>	<b>10,262</b>	<b>12,059</b>	<b>14,033</b>	<b>16,184</b>
Tangibles	9,905	11,656	13,579	15,674
Intangibles	357	403	454	510
<b>Net fixed assets</b>	<b>14,605</b>	<b>15,354</b>	<b>15,930</b>	<b>16,328</b>
Tangibles	14,522	15,271	15,848	16,252
Intangibles	84	83	82	76
Capital Work In Progress	389	889	1,389	1,889
Goodwill	-	-	-	-
Non-Current Investments	24,894	25,629	25,852	26,095
Net Deferred tax assets	(110)	(99)	(206)	(331)
Other Non-Current Assets	593	185	201	234
<b>Current Assets</b>				
Investments	19,528	25,357	28,642	40,515
Inventories	6,335	9,065	10,153	11,372
Trade receivables	2,422	4,002	4,298	4,295
Cash & Bank Balance	392	999	713	805
Other Current Assets	3,324	3,192	3,575	4,004
<b>Total Assets</b>	<b>72,533</b>	<b>84,701</b>	<b>90,690</b>	<b>1,05,367</b>
<b>Equity</b>				
Equity Share Capital	241	241	241	241
Other Equity	42,506	53,483	65,104	78,798
<b>Total Networkth</b>	<b>42,747</b>	<b>53,723</b>	<b>65,344</b>	<b>79,039</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	7,221	7,214	4	4
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	4,800	3,200	3,000	2,000
Trade payables	9,560	11,902	12,957	14,145
Other current liabilities	7,791	8,341	9,048	9,826
<b>Total Equity &amp; Liabilities</b>	<b>72,533</b>	<b>84,701</b>	<b>90,690</b>	<b>1,05,367</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	18,893	24,703	26,862	31,252
Add. Depreciation	1,517	1,797	1,974	2,151
Add. Interest	652	797	242	167
Less Financial Other Income	3,354	2,747	2,313	2,957
Add. Other	(5,522)	(4,800)	(4,431)	(5,422)
Op. profit before WC changes	15,539	22,497	24,647	28,149
Net Changes-WC	329	(7,286)	(3,290)	(11,552)
Direct tax	(4,240)	(6,275)	(6,823)	(7,938)
<b>Net cash from Op. activities</b>	<b>11,628</b>	<b>8,937</b>	<b>14,534</b>	<b>8,659</b>
Capital expenditures	(2,586)	(3,045)	(3,050)	(3,050)
Interest / Dividend Income	2,704	2,729	2,295	2,939
Others	(12,081)	-	-	-
<b>Net Cash from Inv. activities</b>	<b>(11,963)</b>	<b>(316)</b>	<b>(755)</b>	<b>(111)</b>
Issue of share cap. / premium	(6,680)	2,809	2,004	2,331
Debt changes	12,000	(1,607)	(7,410)	(1,000)
Dividend paid	(4,346)	(8,418)	(8,418)	(9,620)
Interest paid	(652)	(797)	(242)	(167)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>322</b>	<b>(8,014)</b>	<b>(14,065)</b>	<b>(8,456)</b>
<b>Net change in cash</b>	<b>(13)</b>	<b>607</b>	<b>(287)</b>	<b>93</b>
Free Cash Flow	9,042	5,892	11,484	5,609

Source: Company Data, PL Research

**Key Financial Metrics**

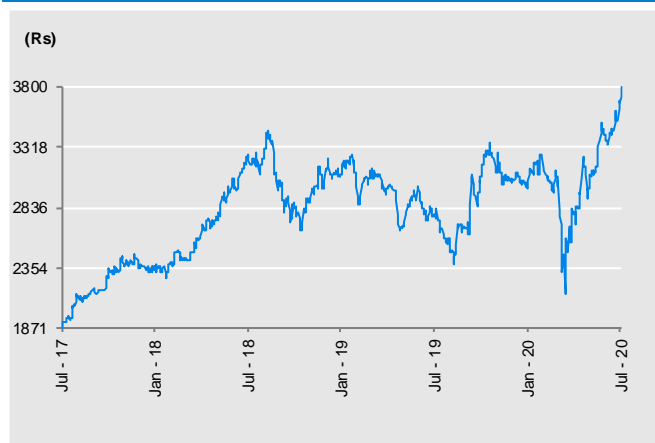
Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	60.9	76.6	83.3	96.9
CEPS	67.2	84.1	91.5	105.9
BVPS	177.7	223.4	271.7	328.6
FCF	37.6	24.5	47.7	23.3
DPS	35.0	35.0	40.0	45.0
<b>Return Ratio(%)</b>				
RoCE	34.0	38.3	37.4	38.1
ROIC	30.8	39.0	40.4	44.4
RoE	35.2	38.2	33.7	32.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.2)	(0.3)	(0.4)	(0.5)
Net Working Capital (Days)	(3)	3	4	3
<b>Valuation(x)</b>				
PER	62.1	49.4	45.4	39.0
P/B	21.3	16.9	13.9	11.5
P/CEPS	56.3	45.0	41.4	35.7
EV/EBITDA	51.0	36.4	33.0	28.5
EV/Sales	8.2	6.9	6.1	5.4
Dividend Yield (%)	0.9	0.9	1.1	1.2

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY20	Q3FY20	Q4FY20	Q1FY21
<b>Net Revenue</b>	<b>28,961</b>	<b>28,192</b>	<b>26,919</b>	<b>32,199</b>
YoY gr. (%)	7.1	4.3	0.9	24.8
Raw Material Expenses	17,549	16,951	16,590	19,270
Gross Profit	11,412	11,241	10,329	12,929
Margin (%)	39.4	39.9	38.4	40.2
<b>EBITDA</b>	<b>4,704</b>	<b>4,818</b>	<b>4,303</b>	<b>6,718</b>
YoY gr. (%)	10.8	8.0	1.9	73.0
Margin (%)	16.2	17.1	16.0	20.9
Depreciation / Depletion	367	384	393	401
<b>EBIT</b>	<b>4,337</b>	<b>4,433</b>	<b>3,910</b>	<b>6,317</b>
Margin (%)	15.0	15.7	14.5	19.6
Net Interest	140	221	207	219
Other Income	1,302	646	752	873
<b>Profit before Tax</b>	<b>5,499</b>	<b>4,858</b>	<b>4,455</b>	<b>6,971</b>
Margin (%)	19.0	17.2	16.5	21.7
Total Tax	923	1,254	643	1,813
Effective tax rate (%)	16.8	25.8	14.4	26.0
<b>Profit after Tax</b>	<b>4,576</b>	<b>3,604</b>	<b>3,812</b>	<b>5,159</b>
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
<b>Adjusted PAT</b>	<b>4,576</b>	<b>3,604</b>	<b>3,812</b>	<b>5,159</b>
YoY gr. (%)	61.4	19.0	31.6	93.8
Margin (%)	15.8	12.8	14.2	16.0
Extra Ord. Income / (Exp)	350	-	-	-
<b>Reported PAT</b>	<b>4,926</b>	<b>3,604</b>	<b>3,812</b>	<b>5,159</b>
YoY gr. (%)	73.7	19.0	31.6	106.3
Margin (%)	17.0	12.8	14.2	16.0
Other Comprehensive Income	-	-	(43)	-
<b>Total Comprehensive Income</b>	<b>4,926</b>	<b>3,604</b>	<b>3,769</b>	<b>5,159</b>
Avg. Shares O/s (m)	240	240	241	241
<b>EPS (Rs)</b>	<b>19.1</b>	<b>15.0</b>	<b>15.8</b>	<b>21.4</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	08-Jul-20	BUY	4,046	3,678
2	03-Jun-20	BUY	3,744	3,510
3	15-Apr-20	BUY	3,744	2,837
4	10-Feb-20	BUY	3,725	3,156
5	03-Jan-20	Accumulate	3,433	3,039
6	15-Nov-19	Accumulate	3,433	3,196
7	03-Oct-19	Accumulate	3,307	2,903
8	09-Aug-19	Accumulate	3,068	2,602

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,857	1,746
2	Avenue Supermarts	Reduce	1,695	2,323
3	Bajaj Electricals	BUY	500	384
4	Britannia Industries	BUY	4,046	3,678
5	Colgate Palmolive	Reduce	1,277	1,392
6	Crompton Greaves Consumer Electricals	BUY	287	241
7	Dabur India	Hold	451	479
8	Emami	Hold	287	233
9	Future Retail	Under Review	-	332
10	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
11	Havells India	Reduce	521	598
12	Hindustan Unilever	Hold	2,098	2,154
13	ITC	BUY	262	194
14	Jubilant FoodWorks	UR	-	1,746
15	Kansai Nerolac Paints	BUY	529	444
16	Marico	Hold	337	352
17	Nestle India	Reduce	14,609	16,912
18	Pidilite Industries	Hold	1,418	1,399
19	Titan Company	Hold	1,025	1,016
20	Voltas	Accumulate	600	575

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## ANALYST CERTIFICATION

### (Indian Clients)

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