

October 5, 2020

## Company Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	4,279		4,316	
Sales (Rs. m)	1,44,053	1,62,048	1,45,115	1,62,494
% Chng.	(0.7)	(0.3)		
EBITDA (Rs. m)	27,493	30,928	26,765	30,614
% Chng.	2.7	1.0		
EPS (Rs.)	77.6	89.6	83.3	96.9
% Chng.	(6.8)	(7.5)		

### Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	1,09,867	1,28,628	1,44,053	1,62,048
EBITDA (Rs. m)	17,707	24,310	27,493	30,928
Margin (%)	16.1	18.9	19.1	19.1
PAT (Rs. m)	13,927	17,340	18,667	21,554
EPS (Rs.)	57.9	72.1	77.6	89.6
Gr. (%)	24.0	24.5	7.7	15.5
DPS (Rs.)	35.0	83.0	45.0	50.0
Yield (%)	0.9	2.2	1.2	1.3
RoE (%)	33.5	47.7	67.6	69.6
RoCE (%)	34.0	47.6	60.1	62.1
EV/Sales (x)	8.4	7.2	6.4	5.7
EV/EBITDA (x)	52.1	38.0	33.8	29.7
PE (x)	66.1	53.1	49.3	42.7
P/BV (x)	21.6	30.8	36.4	25.1

### Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.4,015 / Rs.2,100
Sensex / Nifty	38,974 / 11,503
Market Cap	Rs.922bn/ \$ 12,574m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.5531.18m

### Shareholding Pattern (%)

Promoter's	50.63
Foreign	15.79
Domestic Institution	13.56
Public & Others	20.02
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	3.3	49.4	34.6
Relative	3.6	8.3	32.3

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## Lockdown spike over, long term growth intact

### Quick Pointers:

- Volume growth to soften by 500-700bps on unlock and pantry destocking
- New categories like Cream wafers and Salted snacks being scaled up even as innovations in Core segments continue

**We are Cutting FY21/22/23E EPS by 5.9/6.8/7.5% despite EBIDTA change by -1/2.7/1% due to higher interest burden (proposed bonus debentures of Rs10bn) and Rs28.4bn dividend payout for FY20/FY21. We believe best quarter is behind and impact of unlocking and pantry destocking has started softening growth rates. Long term outlook remains intact led by innovations, affordable packs/pricing (biscuits-Rs5/10 in premium brands), direct distribution reach (3x since 2014), success in non-biscuits segments (Cake, Cream wafers, salted snacks, milkshakes – 19% sales CAGR over FY20-23), cost efficiency programs (Rs2.5bn/1.5-2% of sales) and high growth in Hindi heartland (1.2-2.5x). We estimate EBIDTA CAGR of 19% and PAT CAGR of 13.8% due to lower other income and higher interest. FCF/Adj PAT at 63% (38.5% in FY18) is rising, although its lower than 83% for NEST, largest foods player. We cut target price from Rs4316 (SOTP based on 46xSept22 EPS) to Rs4279 (46xFY23 EPS). BRIT at 41.4xDec22 consol EPS trades at 22% discount to NEST. Retain Buy**

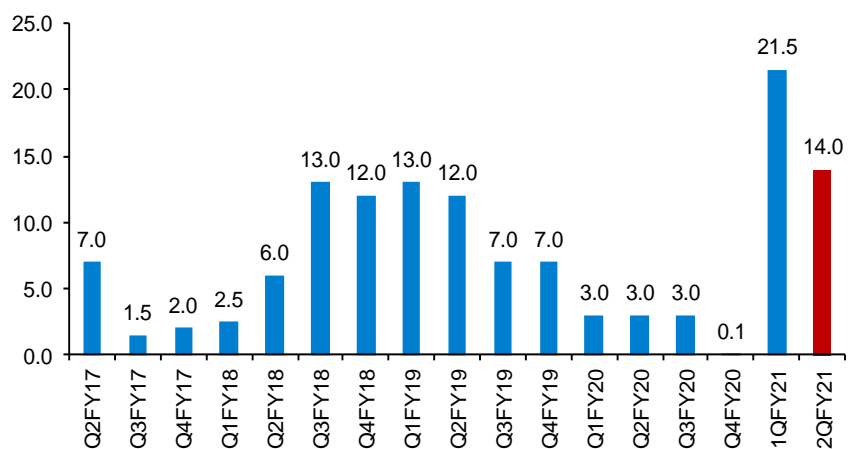
- Channel Check - Volume growth to soften, promotions are back-** Our interaction with trade and industry suggests that the euphoric growth which was witnessed in 1Q is slowly normalizing now. Rising availability of alternatives post unlock and pantry destocking has resulted in 500-700bps lower 2Q volume growth, more so in month of Sept. Focus is shifting from limited assortment/ large packs to more variety. Glucose, Tiger Choco chip, Goodday Cashew, Choco Chip, Treat Creams etc. saw tactical promotions of 13% to 24% extra volumes.
- Input costs mixed, expect 3-4% inflation-** Input costs are mixed as prices of wheat are down 7.4% QoQ and 12.3% YoY and Sugar prices declined 0.8% QoQ and 1.3% YoY. Although Palm Oil prices jumped by 21.7% QoQ and 43% YoY and SMP prices increased 11.4% YoY, upcoming flush season is likely to keep prices under check. Expect 3-4% input cost inflation for FY21.
- Britannia creating new growth levers –** BRIT's new growth areas like Cream wafers and Salted snacks holds key to significant scale up given large size and distribution advantages. In addition, Cakes and Beads have seen new launches and innovations. Although Croissants are yet to stabilize, we estimate non biscuit sales to grow at 19% CAGR and be 23% of sales by FY23.
- Innovations drive biscuits segment:** BRIT's strategy of launching premium innovations and making them affordable with Rs5/10/15 price points has seen success through years. We note that Goodday Rs5 pack is 30% of volumes. Low priced packs of Rs5/10 have been extended to Goodday Choco Chips, Digestives, Goodday Cashew, Nut Cookie, Treat cream, and Jim Jam which will sustain upgradation and above industry growth in coming years.

### Channel Check - Volume growth to soften 500-700bps

Our interaction with trade and food industry players suggest that the euphoric growth which was witnessed in 1Q is slowly normalizing now. We expect QoQ softening of volume growth, although it will still be significantly higher than pre Covid levels. Following are the key takeaways:

- 1Q demand was led by non- availability of packaged food products and lot of loose stuff. As companies like Britannia, Parle, ITC managed to get supply chain in order they consequently grew very shifty.
- Most players focused on large packs and limited product range. Eg 1Kg. pack of Digestive Biscuits, 600gm of cookies and 600-1kg of glucose were readily sold and stocked by consumers. With rising production and availability of products, not only stocking led buying has stopped, but the earlier stocks are being run down.
- Opening up of restaurants and food delivery has increased the snacking options for consumers. Zomato, Swiggy sales have crossed pre Covid levels and home delivery of Dominos, McDonalds and Burger King etc. has increased from pre Covid levels. In addition, some of the dine in restaurants have started operating like cloud kitchens which has improved snacks availability. So the need to consume biscuits and other dry snacking items is lower QoQ.
- Volumes growth has dropped by 500-700bps QoQ due to easing of lockdown and lower home consumption, although it is still up YoY. The impact has been seen more from beginning of Sept.
- Marie Gold, Good Day, Cream Cracker and Rusk have done well for Britannia. BRIT has also improved availability of Burger Buns, Bread, Pizza Base and Atta Kulcha during the past few months. Availability of Cakes, Treat Cream, Wafers and croissants have been very patchy during 2Q21.

#### Exhibit 1: Volume growth has started softening



Source: Company Data, PL Research

## Input costs mixed, sales promotion intensity getting back

- Wheat (31% of RM) prices have fallen 7.4% QoQ and 12.3% YoY. We expect benign prices given that bountiful monsoons will provide another bumper crop.
- Sugar (12.5% of RM) prices have also declined 0.8% QoQ and 1.3% YoY.
- Palm Oil (18% of RM) prices jumped by 21.7% QoQ and 43% YoY as 1) palm oil output was lower in Malaysia (2nd largest producer in World) in July (expected to come back to normal levels in August) and 2) lower inventories of palm oil in trade and 3) higher export demand and lower Indonesian output.
- SMP prices (10% of RM) have increased 9.4% QoQ and 11.4% YoY. Liquid milk prices and SMP are unlikely to increase significantly as flush season is likely to see significant increase in output.
- Normalized operations and benign input costs have restarted the sales promotion activity.

Exhibit 2: Tiger Glucose – 24% extra free



Source: Company, PL

Exhibit 3: Tiger Choco chips- 25% extra free



Source: Company, PL

Exhibit 4: Goodday Chocochip – 27% extra free



Source: Company, PL

Exhibit 5: Goodday Nuts Cookie – 13% extra free



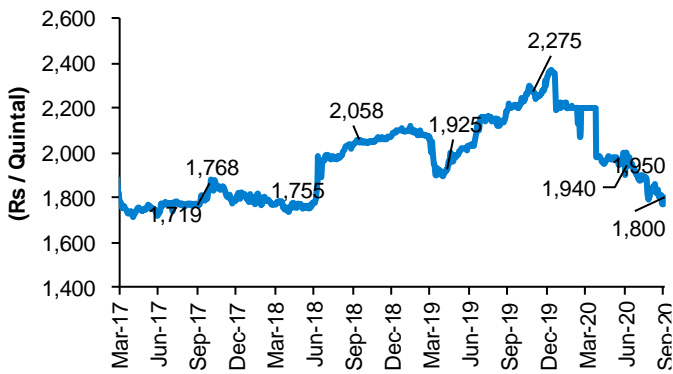
Source: Company, PL

**Exhibit 6: Raw Material inflation has remained steady around 3-4%**

	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Flour	7	9	9	11	14	7	2	-3
Sugar	-17	-14	-8	1	1	3	5	4
RPO	22	10	-5	-15	13	5	18	23
Milk	-22	-12	-9	10	37	42	50	7
Overall Inflation	4	4	3	4	3	4	4	3

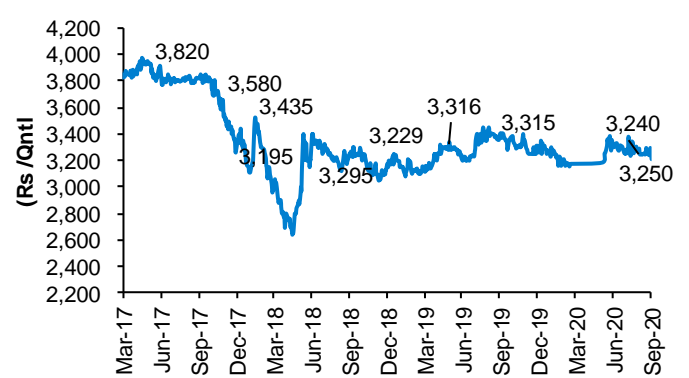
Source: Company, PL

**Exhibit 7: Wheat prices down 12.3% YoY**



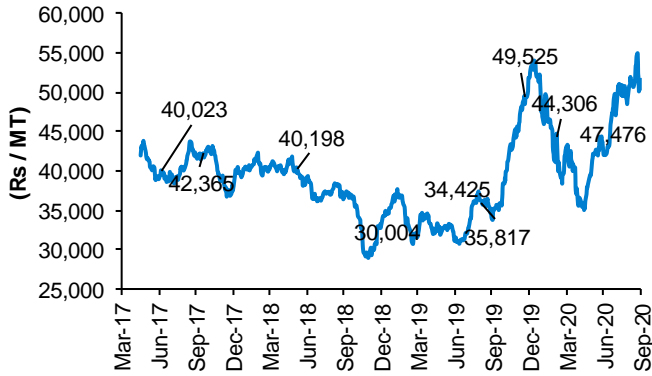
Source: Company, PL

**Exhibit 8: Sugar prices down 1.3% YoY**



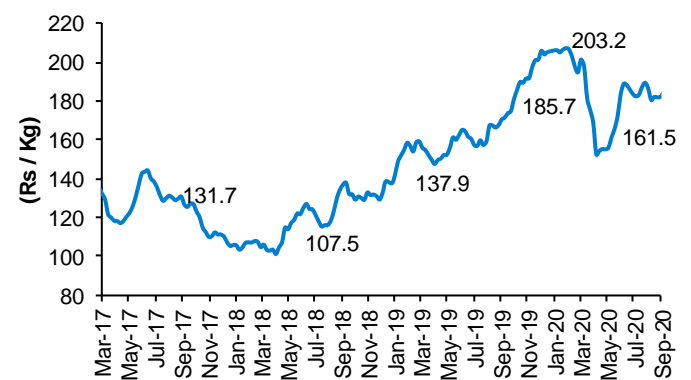
Source: Company, PL

**Exhibit 9: Palmoil prices up 43% YoY**



Source: Company, PL

**Exhibit 10: SMP price up 11.4%YoY**



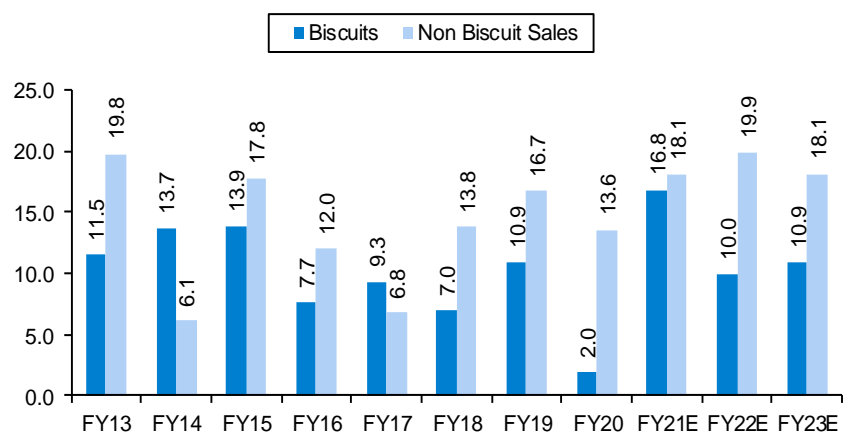
Source: Company, PL

### Britannia creating new growth levers

Britannia has been investing in new product segments to drive growth beyond biscuits segment. Non Biscuit segment sales were 14.5% in FY10 and increased to 20.3% by FY20. We expect non biscuit sales to grow at significantly higher rate than biscuits which will increase sales proportion to 23% by FY23.

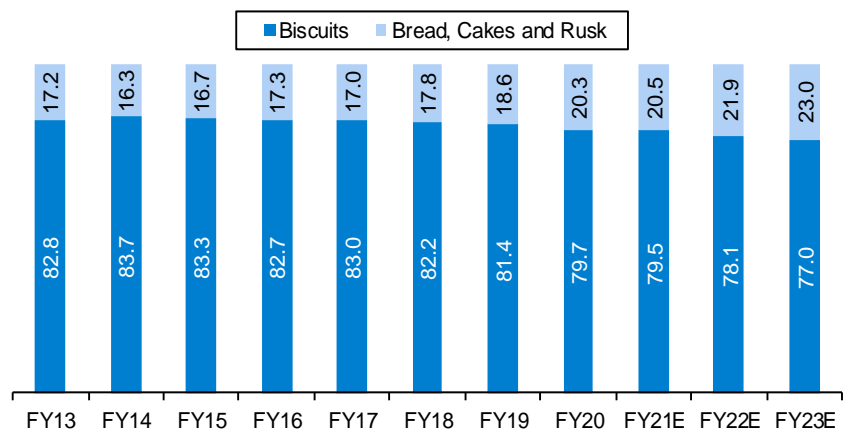
- Britannia has presence in Cake, Rusk and Bread in non-Biscuits segments from past many years. BRIT has been the only national players in cake and Rusk even as Modern was other national player in bread segment. The category growth in Rusk has increased as Parle has also entered the segment.

**Exhibit 11: Sales growth: Non biscuit Segments to grow at 19% CAGR**



Source: Company, PL

**Exhibit 12: Non Biscuit sales inching up steadily**



Source: Company, PL

- BRIT has set up new capacities in cakes and entered new segments like layered cakes, roll cakes, filled muffins, chocolate and walnut brownie to broad base product range.
- BRIT has launched multigrain bread, Atta Kulcha, Burger Buns and Pizza Base in the breads segment. Value added segments and new products have improved the profitability in the breads segment.

**Exhibit 13: New Launches during 1Q: Layerz Cake and Roll Yo Swiss rolls**



Source: Company, PL

**Exhibit 14: New Launches; Atta Kulcha, Burger Buns, Fruit Bread/Buns and Cheese Garlic Bread**



Source: Company, PL

BRIT has identified new segments like cream wafers, salted snacks, Croissants and Milkshakes which can go a long way in accelerating growth rates.

- Cream Wafers:** BRIT entered Rs7bn cream wafers segment which is dominated by Dukes and private labels and has been growing at 15% CAGR. BRIT has wafers in 4 flavors and the demand for the product has been more than the supply. We believe BRIT's strong brand and distribution will enable faster category growth and easy scalability in coming years.
- Salted Snacks:** BRIT has launched extruded snacks in the salted snacks category under the Timepass brand. We expect BRIT to use its distribution to expand in this large category (Rs250bn) which has been growing at 20% CAGR. We believe that experience of current CEO Mr Varun Berry in Frito lays will enable BRIT to create a strong presence in this category.

**Exhibit 15: Emerging Segments for BRIT**

Categories	Industry Size (Rs mn)	Major Competitors
Cream Wafer	7,000	Dukes (market leader) along with Private labels like Pickwick
Salted Snacks	2,50,000	Pepsico, Balaji Wafers, DFM Foods, Pratap Snacks,ITC
Crossiants	2,500	Nascent category with little competition
Milkshakes	28,000	Amul, Nestle, Mother Dairy

Source: Company, PL

Exhibit 16: Demand exceeds supply



Source: PL, Company

Exhibit 17: Seeding products in large category



Source: PL, Company

Exhibit 18: High growth segment



Source: Company, PL

Exhibit 19: Remains in a testing stage

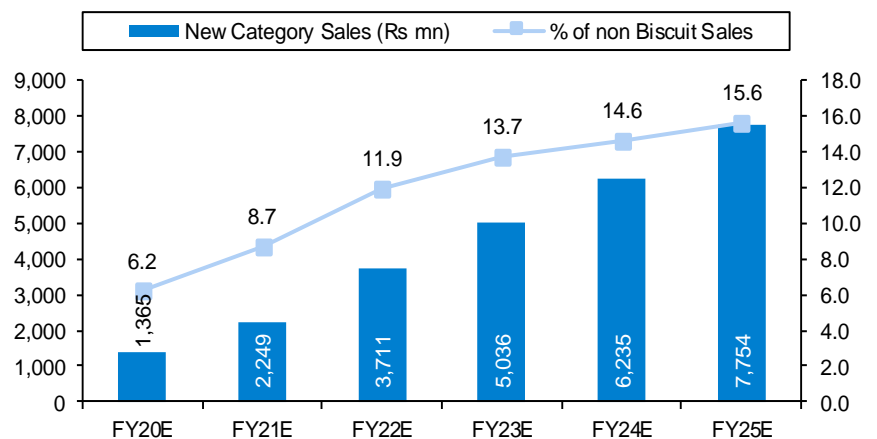


Source: Company, PL

- Croissants:** BRIT has set up a JV with Chipita for this product line. The company has been in the process of stabilizing the product quality and has little visibility in the product line as of now.
- Milk Shakes:** Rs28bn category growing in mid to high teens and BRIT has been able to mark presence in the premium segment.

We believe cream wafers, salted snacks and new launches in cakes and Bread offer significant scope and visibility to increase growth for the company.

Exhibit 20: Cream wafers and Salted snacks key to scale up

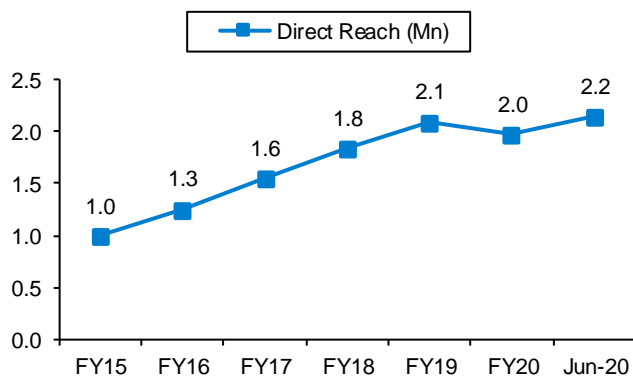


Source: PL

## Biscuits – affordable Innovation strategy pays off

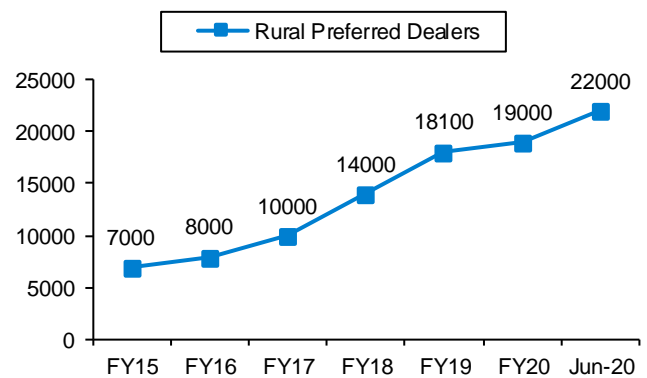
BRIT has not only able to sustain its strong position in its core business of biscuits but consolidate its market share over the past few years. It has been driven by its strive to improve overall and direct distribution reach, rising sales in Hindi heartland and cost savings to remain price competitive. In addition, BRIT has launched a number of mass market products under Tiger to cater to and increase share in Hindi heartland with VFM products.

Exhibit 21: Direct Reach has normalized to pre Covid levels



Source: Company, PL

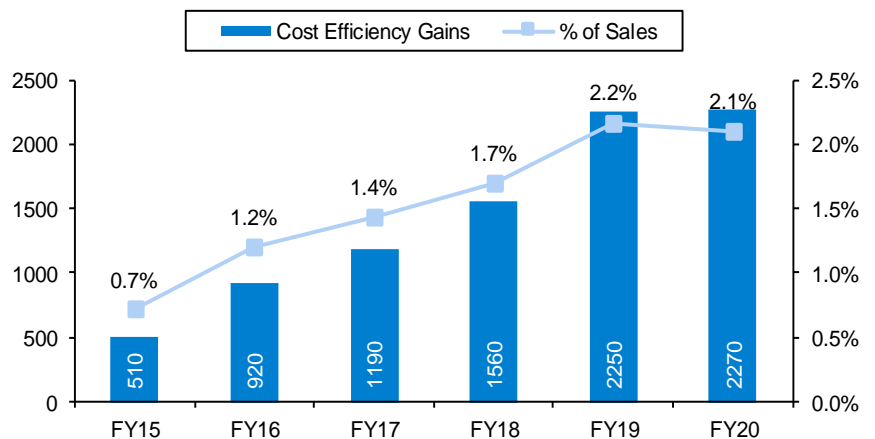
Exhibit 22: Rural distribution continues growth momentum



Source: Company, PL

BRIT plans to accelerate gains from cost efficiency program in FY21 given increased cost focus during Covid

Exhibit 23: Cost Efficiency Gains remained flat in FY20

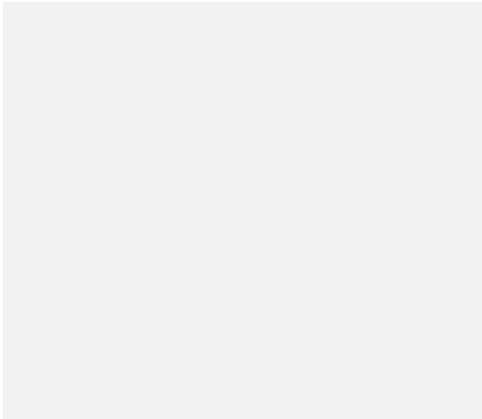


Source: Company, PL

BRIT followed a strategy of introducing premium products and then launching small and affordable packs of the same. This strategy has played out well and enabled consumer upgradation to premium products over the years as the share of Glucose segment in sales has declined to just 10-12% of sales versus 60% of sales for Parle.

- Rs5 Price point:** Goodday, Treat and Bourbon were key premium biscuit brands of Britannia. BRIT has launched affordable packs of these so that Goodday Butter, Treat Jim Jam, Bourbon and cashew Almond are available at a price point of Rs5. We note that Rs5 pack of Goodday is more than 40% of Goodday sales. Although OOH packs might be under pressure in near term.





- **Rs10 Price Point:** BRIT has Goodday – Chocochip, Nut cookies, Treat creams, Nutrichoice Digestives and Nice etc. at a price point of Rs10. Most of these were launched at higher price points but the Rs10 has been key driver in all these products. By giving an option of Goodday Chocochip at Rs10, BRIT has been targeting upgradation from Tiger Choco Chip biscuits (58gm) which are available at price point of Rs10 (80gm).
- **Rs15 Price Point and above:** Brit has now Treat Starz, Nutrichoice Simply Light at a price point of Rs15. Similarly, premium products in Goodday Wonderfulls are now available in 30gm pack at Rs15 and Nutrichoice Heavens/ Goodday Choco Chunkies are now available at price points packs of Rs30.

Exhibit 24: Rs10 Pack of Cashew Cookies



Source: Company, PL

Exhibit 25: Nutrichoice Digestive in Rs10 pack



Source: Company, PL

Exhibit 26: Treat Jim Jam – Rs5 Pack



Source: Company, PL

Exhibit 27: Premium Treat Starz in Rs15 pack



Source: Company, PL

Exhibit 28: Rs10 pack of Treat Creams

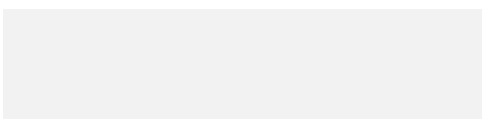


Source: Company, PL

Exhibit 29: Goodday Choco chips at Rs10



Source: Company, PL



## EPS cut by 5.9% to 7.5%, Higher Dividend doubles ROE

We are cutting FY21, FY22 and FY23 EPS estimates by 5.9%, 6.8% and 7.5% even as ROE will increase significantly by 100% and 115% in FY22 and FY23.

- We have made minor changes to our earnings estimates factoring in current sales momentum and input costs scenario. Our EBIDTA estimates have increased by 2.7% and 1% for FY22 and FY23 and margin estimates are higher by 70bps and 30bps for FY22 and FY23.
- BRIT declared a dividend of Rs35 for FY20 (Rs20 in FY19) and it also declared an interim dividend of Rs83/share resulting in a cash outflow of Rs28.4bn. we estimate decline in financial other income from Rs2.7bn, 2.3bn and Rs2.95bn to Rs1.46bn, 786mn and 1bn in FY21,22 and FY23.
- Thus BRIT has issued bonus deb of Rs30/share in FY20 and declared another issue of bonus deb at Rs41.5/share (Rs10bn) in coming few months. Interest burden will increase from Rs652mn in FY20 to Rs816mn in FY21 and will peak at Rs1.36bn in FY22 before coming down to Rs980mn in FY23.
- BRIT's ROE is likely to expand to 69.6% as against earlier estimate of 32.3% which will bring it contention with NEST which is at 87% although its FCF/ADJ PAT at 75% is still lower, although improving YoY.

**Exhibit 30: EPS cut by 5.9/6.8/6.5% for FY21/22/23**

(Rs mn)	FY21			FY22			FY23		
	New	Old	Change	New	Old	Change	New	Old	Change
Sales	1,28,628	1,29,596	-0.7	1,44,053	1,45,115	-0.7	1,62,048	1,62,494	-0.3
<i>Growth</i>	17.1	18.0		12.0	12.0		12.5	12.0	
EBIDTA	24,310	24,550	-1.0	27,493	26,765	2.7	30,928	30,614	1.0
<i>EBIDTA Margin</i>	18.9	18.9		19.1	18.4		19.1	18.8	
Interest	816	797	2.4	1,367	242	464.7	980	167	485.0
Other Income	1,469	2,747	-46.5	786	2,313	-66.0	1,006	2,957	-66.0
PBT	23,275	24,703	-5.8	25,057	26,862	-6.7	28,932	31,252	-7.4
PAT	17,340	18,428	-5.9	18,667	20,039	-6.8	21,554	23,314	-7.5
<i>Growth</i>	18.3	25.8		7.7	8.7		15.5	16.3	
EPS	72.1	76.6	-5.9	77.6	83.3	-6.8	89.6	96.9	-7.5
<i>ROE</i>	47.7	38.2	24.9	67.6	33.7	100.6	69.6	32.3	115.5

Source: Company, PL

**Exhibit 31: BRIT has superior growth, trades at 22% discount to NEST**

Company	M Cap (Rs bn)	CMP (Rs)	TP (Rs)	Rating	Sales Growth %				EBITDA Margin %				EPS (Rs)			
					FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
HUL*	4560	2111	2304	Hold	1.5	3.7	11.3	11.0	24.8	27.0	26.7	26.8	32.1	34.7	39.1	44.4
Nestle (CY basis)	1546	16033	14496	Reduce	9.6	10.2	12.0	10.9	22.9	24.0	23.5	23.3	206.9	234.1	257.4	289.9
Britannia	921	3830	4279	BUY	4.1	17.1	12.0	12.5	16.1	18.9	19.1	19.1	60.9	72.1	77.6	89.6

Company	RoE %				RoCE %				FCF/Adj PAT (%)				PE (x)			
	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E	FY20	FY21E	FY22E	FY23E
HUL*	88.0	84.0	80.0	78.0	120	115	109	106	53.2	128.4	105.9	104.0	65.8	60.9	53.9	47.6
Nestle	71.2	103.8	93.6	87.2	90.4	132.9	119.8	110.7	83.7	95.9	107.3	104.5	77.5	68.5	62.3	55.3
Britannia	35.2	47.7	67.6	69.6	41.1	50.7	61.9	64.2	62.9	66.5	78.1	74.9	62.9	53.1	49.3	42.7

Source: Company, PL, (HUL Nos and ratios are pre Glaxo Merger)

## Financials

### Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Net Revenues</b>	<b>1,09,867</b>	<b>1,28,628</b>	<b>1,44,053</b>	<b>1,62,048</b>
YoY gr. (%)	4.8	17.1	12.0	12.5
Cost of Goods Sold	66,577	76,642	85,882	97,396
Gross Profit	43,290	51,986	58,171	64,653
Margin (%)	39.4	40.4	40.4	39.9
Employee Cost	3,689	4,055	4,399	4,790
Other Expenses	6,255	7,032	7,699	8,541
<b>EBITDA</b>	<b>17,707</b>	<b>24,310</b>	<b>27,493</b>	<b>30,928</b>
YoY gr. (%)	6.5	37.3	13.1	12.5
Margin (%)	16.1	18.9	19.1	19.1
Depreciation and Amortization	1,517	1,688	1,856	2,023
<b>EBIT</b>	<b>16,190</b>	<b>22,622</b>	<b>25,638</b>	<b>28,906</b>
Margin (%)	14.7	17.6	17.8	17.8
Net Interest	652	816	1,367	980
Other Income	2,629	1,469	786	1,006
<b>Profit Before Tax</b>	<b>18,167</b>	<b>23,275</b>	<b>25,057</b>	<b>28,932</b>
Margin (%)	16.5	18.1	17.4	17.9
Total Tax	4,240	5,935	6,389	7,378
Effective tax rate (%)	23.3	25.5	25.5	25.5
<b>Profit after tax</b>	<b>13,927</b>	<b>17,340</b>	<b>18,667</b>	<b>21,554</b>
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
<b>Adjusted PAT</b>	<b>13,927</b>	<b>17,340</b>	<b>18,667</b>	<b>21,554</b>
YoY gr. (%)	24.1	24.5	7.7	15.5
Margin (%)	12.7	13.5	13.0	13.3
Extra Ord. Income / (Exp)	190	-	-	-
<b>Reported PAT</b>	<b>14,117</b>	<b>17,340</b>	<b>18,667</b>	<b>21,554</b>
YoY gr. (%)	25.8	22.8	7.7	15.5
Margin (%)	12.8	13.5	13.0	13.3
Other Comprehensive Income	(46)	-	-	-
Total Comprehensive Income	14,071	17,340	18,667	21,554
<b>Equity Shares O/s (m)</b>	<b>241</b>	<b>241</b>	<b>241</b>	<b>241</b>
<b>EPS (Rs)</b>	<b>57.9</b>	<b>72.1</b>	<b>77.6</b>	<b>89.6</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>24,775</b>	<b>27,320</b>	<b>29,870</b>	<b>32,420</b>
Tangibles	24,360	26,860	29,360	31,860
Intangibles	415	460	510	560
<b>Acc: Dep / Amortization</b>	<b>10,170</b>	<b>11,858</b>	<b>13,714</b>	<b>15,736</b>
Tangibles	9,838	11,483	13,290	15,260
Intangibles	332	375	424	477
<b>Net fixed assets</b>	<b>14,605</b>	<b>15,462</b>	<b>16,156</b>	<b>16,683</b>
Tangibles	14,521	15,377	16,070	16,600
Intangibles	84	85	87	83
Capital Work In Progress	389	889	1,389	1,889
Goodwill	-	-	-	-
Non-Current Investments	33,844	20,852	20,983	21,135
Net Deferred tax assets	(110)	(226)	(351)	(496)
Other Non-Current Assets	593	175	188	217
<b>Current Assets</b>				
Investments	10,581	8,289	12,184	14,165
Inventories	6,335	8,236	9,224	10,377
Trade receivables	2,422	2,922	3,250	3,656
Cash & Bank Balance	392	685	816	1,177
Other Current Assets	3,324	3,548	3,832	4,311
<b>Total Assets</b>	<b>72,533</b>	<b>61,122</b>	<b>68,093</b>	<b>73,689</b>
<b>Equity</b>				
Equity Share Capital	241	241	241	241
Other Equity	42,506	29,688	25,057	36,389
<b>Total Networth</b>	<b>42,747</b>	<b>29,929</b>	<b>25,298</b>	<b>36,629</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	7,221	7,214	17,195	9,985
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	4,800	3,215	2,515	1,515
Trade payables	9,560	11,784	13,119	14,456
Other current liabilities	7,791	8,433	9,279	10,254
<b>Total Equity &amp; Liabilities</b>	<b>72,533</b>	<b>61,122</b>	<b>68,094</b>	<b>73,690</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	18,893	23,275	25,057	28,932
Add. Depreciation	1,517	1,688	1,856	2,023
Add. Interest	652	816	1,367	980
Less Financial Other Income	2,629	1,469	786	1,006
Add. Other	(2,992)	(1,571)	(788)	(1,025)
Op. profit before WC changes	18,069	24,209	27,490	30,909
Net Changes-WC	(2,055)	2,518	(3,322)	(1,715)
Direct tax	(4,240)	(5,935)	(6,389)	(7,378)
<b>Net cash from Op. activities</b>	<b>11,775</b>	<b>20,792</b>	<b>17,779</b>	<b>21,816</b>
Capital expenditures	(2,586)	(3,045)	(3,050)	(3,050)
Interest / Dividend Income	3,354	1,469	786	1,006
Others	(11,621)	13,643	-	-
<b>Net Cash from Inv. activities</b>	<b>(10,853)</b>	<b>12,068</b>	<b>(2,264)</b>	<b>(2,044)</b>
Issue of share cap. / premium	(7,956)	(1,779)	(12,476)	1,802
Debt changes	12,019	(1,592)	9,281	(8,210)
Dividend paid	(4,346)	(28,379)	(10,823)	(12,025)
Interest paid	(652)	(816)	(1,367)	(980)
Others	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(934)</b>	<b>(32,566)</b>	<b>(15,384)</b>	<b>(19,412)</b>
<b>Net change in cash</b>	<b>(13)</b>	<b>294</b>	<b>131</b>	<b>361</b>
Free Cash Flow	9,189	17,747	14,729	18,766

Source: Company Data, PL Research

**Key Financial Metrics**

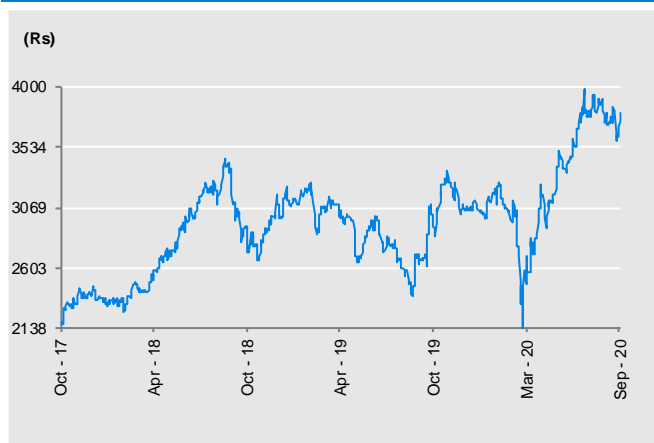
Y/e Mar	FY20	FY21E	FY22E	FY23E
<b>Per Share(Rs)</b>				
EPS	57.9	72.1	77.6	89.6
CEPS	64.2	79.1	85.3	98.0
BVPS	177.7	124.4	105.2	152.3
FCF	38.2	73.8	61.2	78.0
DPS	35.0	83.0	45.0	50.0
<b>Return Ratio(%)</b>				
RoCE	34.0	47.6	60.1	62.1
ROIC	26.3	43.4	46.5	49.5
RoE	33.5	47.7	67.6	69.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.0	0.0	0.3	(0.1)
Net Working Capital (Days)	(3)	(2)	(2)	(1)
<b>Valuation(x)</b>				
PER	66.1	53.1	49.3	42.7
P/B	21.6	30.8	36.4	25.1
P/CEPS	59.6	48.4	44.9	39.1
EV/EBITDA	52.1	38.0	33.8	29.7
EV/Sales	8.4	7.2	6.4	5.7
Dividend Yield (%)	0.9	2.2	1.2	1.3

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)	(1)
<b>Total Comprehensive Income</b>	<b>4,926</b>	<b>3,604</b>	<b>3,769</b>	<b>5,158</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	17-Jul-20	BUY	4,316	3,785
2	08-Jul-20	BUY	4,046	3,678
3	03-Jun-20	BUY	3,744	3,510
4	15-Apr-20	BUY	3,744	2,837
5	10-Feb-20	BUY	3,725	3,156
6	03-Jan-20	Accumulate	3,433	3,039
7	15-Nov-19	Accumulate	3,433	3,196

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,829	1,717
2	Avenue Supermarts	Hold	2,055	2,163
3	Bajaj Electricals	BUY	500	436
4	Britannia Industries	BUY	4,316	3,785
5	Colgate Palmolive	Reduce	1,344	1,448
6	Crompton Greaves Consumer Electricals	BUY	308	260
7	Dabur India	Hold	469	494
8	Emami	BUY	419	257
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Reduce	524	595
11	Hindustan Unilever	Hold	2,304	2,249
12	ITC	BUY	262	200
13	Jubilant FoodWorks	Hold	2,255	2,251
14	Kansai Nerolac Paints	BUY	501	443
15	Marico	Hold	355	350
16	Nestle India	Reduce	14,089	17,095
17	Pidilite Industries	Hold	1,415	1,378
18	Titan Company	Hold	1,057	1,108
19	Voltas	Accumulate	660	629

**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



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