

Retail Equity Research

Britannia Industries Limited

FMCG

BSE CODE: 500825

NSE CODE: BRITANNIA

Bloomberg CODE: BRIT:IN

SENSEX: 54,209

BUY

12 Months Investment period Rating as per Large Cap

CMP Rs. 3,394 TARGET Rs. 3,890 RETURN 15% ↑
(Closing: 18-05-22)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↑

Healthy volume growth...

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

- Q4FY22 sales was up 15.5% YoY to Rs. 3,508cr driven by volume growth. Britannia Industries Limited registered modest PAT growth of 4.3% in Q4FY22 reaching Rs. 380cr.
- EBITDA margin contracted by 90bps YoY to 15.7%, due to higher commodities prices.
- Inflationary pressure on input costs to weigh on company's near-term performance. However, the efforts taken by management to handle the commodity price inflation will help to maintain profitability. We reiterate our BUY rating on the stock with a revised target price of Rs. 3,890 based on 45x FY24E adj. EPS.

Volume growth & judicious price hike supports topline

Q4FY22 consolidated revenue grew 15.5% YoY to Rs. 3,508.4cr in Q4FY22, led by a mid-single digit volume growth and judicious price hike. Volume growth was driven by a favorable mix of products and categories. Direct reach outlets during the quarter rose to 24.9 lacs compared to 23.7 lacs in Mar 21. Also, rural distribution has gone up from 23,000 rural distributors in March 21 to 26,000 rural distributors.

Margin contracts due to input costs inflation

EBITDA rose 8.8% YoY to Rs. 550cr in Q4FY22. EBITDA margin contracted by -90bps YoY to 15.7% due to input cost inflation. Commodities witnessed an inflation of 17% during the quarter. However, Favorable forward contracts, utilization of lower-cost inventory, and lower ad-spends cushioned the margins. Adjusted PAT grew by 4.3% YoY to Rs.380cr (+2.3% QoQ).

Key concall highlights

- Expect a minimum 7-10% price hike in FY23, over 10% in FY22, if commodity prices continue at current level.
- Hindi Belt is growing 20% faster than rest of India. Smaller Hindi-Belt states need more attention. UP contributes to 50% of revenue from Hindi states. Few emerging Hindi states (Chhattisgarh and Rajasthan) need more attention.
- Dairy business had a robust double-digit growth. Winkin Cow joins the "Rs. 100cr" club.
- The company has launched new to market innovations viz. Good Day Harmony, Jeera Marie and Nutrchoice Seeds & Herbs and new variants in Croissant & Wafers to further strengthen its adjacent categories. New product contribution stood at 4.5% in FY22 and expected to improve further in FY23 due to new launches in dairy business.
- Britannia has market share of 39% in urban and 27-28% in rural.

Valuation

Britannia has robust portfolio and efficient distribution network. Headwinds arising from inflation in commodity prices may continue put pressure on margins in the near-term. But management is expected to undertake judicious price increases and grammage cuts to offset the pressure. The latter is likely to play a bigger part. We estimate PAT to grow at 16.8% FY22-24E CAGR and EBITDA margin to improve to 17% by FY24E. We reiterate our BUY rating on the stock with a revised target price of Rs. 3,890 based on 45x FY24E adj. EPS.

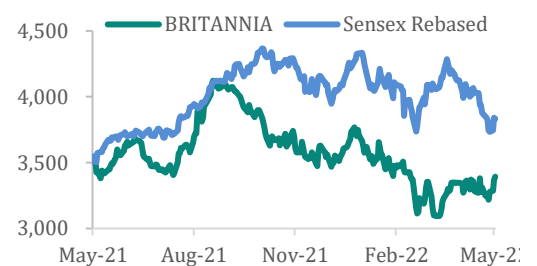
Company Data

| | |
|--------------------------|------------|
| Market Cap (cr) | Rs. 81,770 |
| Enterprise Value (cr) | Rs. 83,725 |
| Outstanding Shares (cr) | 24.1 |
| Free Float | 49.0% |
| Dividend Yield | 1.7% |
| 52 week high | Rs. 4,152 |
| 52 week low | Rs. 3,050 |
| 6m average volume (lacs) | 0.15 |
| Beta | 0.5 |
| Face value | Rs. 1 |

| Shareholding % | Q2FY22 | Q3FY22 | Q4FY22 |
|-------------------|--------|--------|--------|
| Promoters | 50.6 | 50.6 | 50.6 |
| FII's | 17.7 | 17.6 | 17.2 |
| MFs/Insti | 11.5 | 11.5 | 7.9 |
| Public | 14.7 | 14.8 | 17.7 |
| Others | 5.6 | 5.6 | 9.6 |
| 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 | -2.5% | -5.2% | -3.7% |
| Absolute Sensex | -6.3% | -9.1% | 8.0% |
| Relative Return* | 3.8% | 3.9% | -11.7% |

*over or under performance to benchmark index



| Consolidated (cr) | FY22A | FY23E | FY24E |
|-------------------|--------|--------|--------|
| Sales | 13,945 | 15,409 | 17,042 |
| Growth (%) | 8.2 | 10.5 | 10.6 |
| EBITDA | 2,202 | 2,558 | 2,942 |
| EBITDA Margin (%) | 15.8 | 16.6 | 17.3 |
| Adj. PAT | 1,526 | 1,849 | 2,082 |
| Growth (%) | (18.2) | 21.2 | 12.6 |
| Adj. EPS | 63.4 | 76.7 | 86.4 |
| Growth (%) | (18.2) | 21.2 | 12.6 |
| P/E | 50.6 | 44.2 | 39.3 |
| P/B | 30.2 | 26.8 | 22.3 |
| EV/EBITDA | 36.2 | 32.7 | 28.3 |
| ROE (%) | 59.6 | 60.7 | 56.9 |
| D/E | 1.0 | 0.7 | 0.5 |

Quarterly Financials (Consolidated)

Profit & Loss Account

| | Q4FY22 | Q4FY21 | YoY Growth % | Q3FY22 | QoQ Growth % | FY22 | FY21 | YoY Growth % |
|--------------------------------|-------------|-------------|--------------|-------------|--------------|--------------|--------------|---------------|
| Revenue | 3,508 | 3,038 | 15.5 | 3,531 | (0.6) | 13,945 | 12,883 | 8.2 |
| EBITDA | 550 | 505 | 8.8 | 540 | 1.8 | 2,202 | 2,509 | (12.3) |
| EBITDA margins | 15.7 | 16.6 | (90bps) | 15.3 | 40bps | 15.8 | 19.5 | (370bps) |
| Depreciation | 51 | 53 | (3.6) | 50 | 1.1 | 201 | 198 | 1.4 |
| EBIT | 499 | 453 | 10.2 | 489 | 1.9 | 2,001 | 2,311 | (13.4) |
| Interest | 34 | 24 | 42.5 | 37 | (9.7) | 144 | 111 | 30.1 |
| Other Income | 54 | 63 | (14.7) | 55 | (2.4) | 223 | 313 | (28.8) |
| Exceptional Items | - | - | n.m. | (1) | 100.0 | (1) | (1) | (60.7) |
| PBT | 519 | 493 | 5.3 | 505 | 2.7 | 2,078 | 2,514 | (17.3) |
| Tax | 141 | 133 | 6.3 | 136 | 3.5 | 562 | 663 | (15.2) |
| Share of profit from Associate | 0 | 1 | n.m. | (1) | n.m. | (0) | 1 | n.m. |
| Minority Interest | (2) | (4) | n.m. | (2) | n.m. | (9) | (13) | n.m. |
| Reported PAT | 380 | 364 | 4.3 | 371 | 2.3 | 1,525 | 1,864 | (18.2) |
| Adjustments | - | - | n.m. | 1 | (100.0) | 1 | 1 | 60.7 |
| Adj. PAT | 380 | 364 | 4.3 | 372 | 2.1 | 1,526 | 1,865 | (18.2) |
| No. of shares | 24.1 | 24.1 | 0.0 | 24.1 | 0.0 | 24.1 | 24.1 | 0.0 |
| Adj. EPS (Rs.) | 15.8 | 15.1 | 4.2 | 15.5 | 2.1 | 63.3 | 77.4 | (18.2) |

Change in Estimates

| Year / Rs. cr | Old estimates | | New estimates | | Change % | |
|---------------|---------------|--------|---------------|--------|----------|---------|
| | FY23E | FY24E | FY23E | FY24E | FY23E | FY24E |
| Revenue | 15,305 | 16,912 | 15,409 | 17,042 | 0.7 | 0.8 |
| EBITDA | 2,565 | 3,061 | 2,558 | 2,942 | (0.3) | (3.9) |
| Margins (%) | 16.8 | 18.1 | 16.6 | 17.3 | (20bps) | (80bps) |
| Adj. PAT | 1,964 | 2,150 | 1,849 | 2,082 | (5.9) | (3.2) |
| Adj. EPS | 81.5 | 89.3 | 76.7 | 86.4 | (5.9) | (3.2) |

PROFIT & LOSS

| Y.E March (Rs. cr) | FY20A | FY21A | FY22A | FY23E | FY24E |
|----------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 11,444 | 12,883 | 13,945 | 15,409 | 17,042 |
| % change | 4.3 | 12.6 | 8.2 | 10.5 | 10.6 |
| EBITDA | 1,843 | 2,509 | 2,202 | 2,558 | 2,942 |
| % change | 6.3 | 36.1 | (12.3) | 16.2 | 15.1 |
| Depreciation | 185 | 198 | 201 | 200 | 213 |
| EBIT | 1,658 | 2,311 | 2,001 | 2,358 | 2,729 |
| Interest | 77 | 111 | 144 | 228 | 122 |
| Other Income | 263 | 313 | 222 | 245 | (0) |
| PBT | 1,844 | 2,514 | 2,078 | 2,374 | 2,607 |
| % change | 4.3 | 36.3 | (17.3) | 14.2 | 9.8 |
| Tax | 451 | 663 | 562 | 537 | 537 |
| Tax Rate (%) | 24.4 | 26.4 | 27.1 | 22.6 | 20.6 |
| Reported PAT | 1,403 | 1,864 | 1,525 | 1,849 | 2,082 |
| Adj* | 17 | 1 | 1 | - | - |
| Adj PAT | 1,420 | 1,865 | 1,526 | 1,849 | 2,082 |
| % change | 22.5 | 31.3 | (18.2) | 21.2 | 12.6 |
| No. of shares (cr) | 24.0 | 24.1 | 24.1 | 24.1 | 24.1 |
| Adj EPS (Rs.) | 59.0 | 77.4 | 63.4 | 76.7 | 86.4 |
| % change | 22.4 | 31.1 | (18.2) | 21.2 | 12.6 |
| DPS (Rs.) | 35.0 | 62.0 | 56.5 | 61.0 | 69.0 |
| CEPS (Rs.) | 66.7 | 85.6 | 71.7 | 85.1 | 95.3 |

CASH FLOW

| Y.E March (Rs. cr) | FY20A | FY21A | FY22A | FY23E | FY24E |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Net inc. + Depn. | 1,587 | 2,062 | 1,725 | 2,048 | 2,295 |
| Non-cash adj. | (225) | 79 | (79) | 129 | (14) |
| Changes in W.C | 122 | (290) | (347) | (67) | (78) |
| C.F. Operation | 1,485 | 1,851 | 1,300 | 2,110 | 2,204 |
| Capital exp. | (243) | (240) | (547) | (305) | (338) |
| Change in inv. | (1,327) | 179 | 1,048 | (53) | (99) |
| Other invest.CF | 38 | 522 | 410 | - | - |
| C.F - Investment | (1,532) | 461 | 911 | (358) | (436) |
| Issue of equity | - | 103 | - | - | - |
| Issue/repay debt | 1,359 | 564 | 324 | (390) | (318) |
| Dividends paid | (1,302) | (2,824) | (2,485) | (1,361) | (1,469) |
| Other finance.CF | 0 | (87) | (85) | - | 0 |
| C.F - Finance | 58 | (2,244) | (2,246) | (1,751) | (1,787) |
| Chg. in cash | 11 | 69 | (35) | 2 | (19) |
| Closing cash | 123 | 211 | 185 | 186 | 167 |

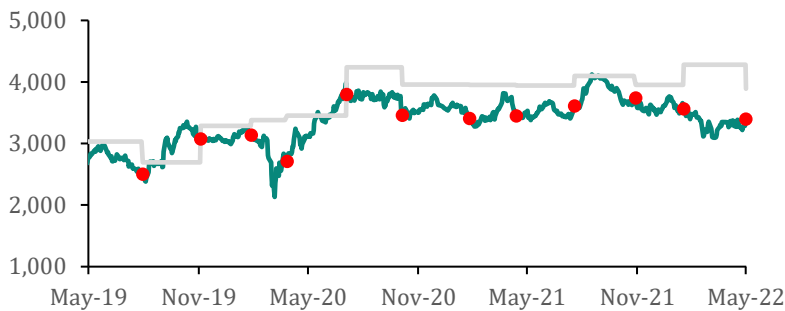
BALANCE SHEET

| Y.E March (Rs. cr) | FY20A | FY21A | FY22A | FY23E | FY24E |
|--------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash | 123 | 211 | 185 | 186 | 167 |
| Accounts Receivable | 320 | 257 | 332 | 462 | 511 |
| Inventories | 741 | 1,091 | 1,367 | 1,304 | 1,333 |
| Other Cur. Assets | 2,491 | 2,860 | 2,086 | 2,246 | 2,465 |
| Investments | 1,899 | 1,402 | 943 | 952 | 961 |
| Gross Fixed Assets | 2,203 | 2,443 | 2,990 | 3,295 | 3,632 |
| Net Fixed Assets | 1,716 | 1,634 | 1,584 | 1,689 | 1,814 |
| CWIP | 40 | 117 | 536 | 589 | 648 |
| Intangible Assets | 147 | 144 | 155 | 157 | 158 |
| Def. Tax (Net) | 20 | 10 | 52 | 49 | 49 |
| Other Assets | 346 | 283 | 276 | 281 | 286 |
| Total Assets | 7,842 | 8,009 | 7,516 | 7,916 | 8,393 |
| Current Liabilities | 1,817 | 2,275 | 2,397 | 2,711 | 2,905 |
| Provisions | 13 | - | - | - | - |
| Debt Funds | 1,561 | 2,141 | 2,532 | 2,142 | 1,823 |
| Other Liabilities | 13 | 9 | 1 | 1 | 1 |
| Equity Capital | 24 | 24 | 24 | 24 | 24 |
| Reserves & Surplus | 4,379 | 3,524 | 2,534 | 3,022 | 3,635 |
| Shareholder's Fund | 4,403 | 3,548 | 2,558 | 3,046 | 3,659 |
| Minority Interest | 36 | 36 | 28 | 17 | 5 |
| Total Liabilities | 7,842 | 8,009 | 7,516 | 7,916 | 8,393 |
| BVPS (Rs.) | 183 | 147 | 106 | 126 | 152 |

RATIOS

| Y.E March | FY20A | FY21A | FY22A | FY23E | FY24E |
|--------------------------------|-------|-------|-------|-------|-------|
| Profitab. & Return | | | | | |
| EBITDA margin (%) | 16.1 | 19.5 | 15.8 | 16.6 | 17.3 |
| EBIT margin (%) | 14.5 | 17.9 | 14.3 | 15.3 | 16.0 |
| Net profit mgn.(%) | 12.3 | 14.5 | 10.9 | 12.0 | 12.2 |
| ROE (%) | 31.9 | 52.5 | 59.6 | 60.7 | 56.9 |
| ROCE (%) | 27.6 | 40.4 | 39.1 | 45.3 | 49.7 |
| W.C & Liquidity | | | | | |
| Receivables (days) | 10.2 | 7.3 | 8.7 | 11.0 | 11.0 |
| Inventory (days) | 39.0 | 52.2 | 57.0 | 50.2 | 47.5 |
| Payables (days) | 58.8 | 62.9 | 53.5 | 61.0 | 62.8 |
| Current ratio (x) | 1.4 | 1.2 | 1.0 | 1.0 | 1.1 |
| Quick ratio (x) | 0.6 | 0.5 | 0.3 | 0.4 | 0.4 |
| Turnover & Leverage | | | | | |
| Gross asset T.O (x) | 5.4 | 5.5 | 5.1 | 4.9 | 4.9 |
| Total asset T.O (x) | 1.6 | 1.6 | 1.8 | 2.0 | 2.1 |
| Int. coverage ratio (x) | 21.6 | 20.8 | 13.9 | 10.3 | 22.4 |
| Adj. debt/equity (x) | 0.4 | 0.6 | 1.0 | 0.7 | 0.5 |
| Valuation | | | | | |
| EV/Sales (x) | 5.8 | 6.8 | 5.7 | 5.4 | 4.9 |
| EV/EBITDA (x) | 35.9 | 35.0 | 36.2 | 32.7 | 28.3 |
| P/E (x) | 45.6 | 46.1 | 50.6 | 44.2 | 39.3 |
| P/BV (x) | 14.7 | 24.2 | 30.2 | 26.8 | 22.3 |

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

| Dates | Rating | Target |
|-----------|--------|--------|
| 21-Jul-20 | HOLD | 4,240 |
| 22-Oct-20 | BUY | 3,960 |
| 11-Feb-21 | BUY | 3,950 |
| 30-Apr-21 | BUY | 3,940 |
| 05-Aug-21 | BUY | 4,100 |
| 15-Nov-21 | HOLD | 3,950 |
| 03-Feb-22 | BUY | 4,280 |
| 19-May-22 | BUY | 3,890 |

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/Neutral | | | |

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.

Sell: Exit from the stock.

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

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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