

February 8, 2021

Q3FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	4,280		4,301	
Sales (Rs. m)	1,37,654	1,53,061	1,42,087	1,59,836
% Chng.	(3.1)	(4.2)		
EBITDA (Rs. m)	26,728	29,888	27,090	30,569
% Chng.	(1.3)	(2.2)		
EPS (Rs.)	78.1	89.3	78.0	90.1
% Chng.	0.1	(0.9)		

Key Financials - Standalone

Y/e Mar	FY20	FY21E	FY22E	FY23E
Sales (Rs. m)	1,09,867	1,24,020	1,37,654	1,53,061
EBITDA (Rs. m)	17,707	24,206	26,728	29,888
Margin (%)	16.1	19.5	19.4	19.5
PAT (Rs. m)	14,653	18,265	18,777	21,470
EPS (Rs.)	60.9	75.9	78.1	89.3
Gr. (%)	30.5	24.6	2.8	14.3
DPS (Rs.)	35.0	95.5	45.0	50.0
Yield (%)	1.0	2.7	1.3	1.4
RoE (%)	35.2	51.7	68.4	65.6
RoCE (%)	34.0	48.5	60.7	61.6
EV/Sales (x)	7.6	6.7	6.1	5.4
EV/EBITDA (x)	47.2	34.6	31.3	27.7
PE (x)	57.0	45.7	44.5	38.9
P/BV (x)	19.5	30.0	30.8	21.8

Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.4,015 / Rs.2,100
Sensex / Nifty	51,349 / 15,116
Market Cap	Rs.837bn / \$ 11,467m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.5753.48m

Shareholding Pattern (%)

Promoter's	50.55
Foreign	17.66
Domestic Institution	10.66
Public & Others	21.14
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(2.8)	(11.7)	6.8
Relative	(7.7)	(34.6)	(14.4)

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Worst Seems over, expect gradual recovery

Quick Pointers:

- 3Q volumes up 4%, Rural, Traditional trade doing well
- Launched Rs 10 Cream wafers and Pure Magic Chocolush Hazelnut.

We are increasing FY21/22/23 EPS estimates by 5.3/0.1/-0.9% on better than expected margin delivery due to benign inputs despite slow recovery in MT, Insti, OOH channels. 3Q revenues grew by 5.7% (4% volume growth) as pantry stoking normalized and transit cluster underperformed. BRIT continues to build on its strategic pillars of 1) innovations 2) affordable packs/pricing (biscuits-Rs5/10 in premium brands) 3) direct distribution (up 16% since March 20) 4) Adjacent product segments (Cake, Cream wafers, salted snacks, milkshakes) 5) cost efficiency programs (Rs2.5bn/1.5-2% of sales) and 6) high growth in Hindi heartland (1.3-1.6x). We expect BRIT to sustain efficiency gains given improvement of 1) 7% in factory productivity 2) 30% in wastage 3) 10% in depot space and 4) increase in direct dispatch from 8% to 22%.

We believe launch of family packs in MT and Online and increased growth in segments like Rusk, Cake, Wafers, Croissants and Dairy based drinks will propel growth in coming quarters. We estimate 24.6% PAT growth in FY21E and 13.9% CAGR over FY20-23. We value the stock at 46x FY23 EPS and arrive at SOTP based target price of Rs4280 (Rs4301 earlier). Retain Buy

Concall Takeaways: 1) General Trade & Rural continue to witness robust growth, Modern Trade & Institutional business remains muted. 2) Transit cluster underperformed as most trains were not operational 3) Parle has executed nicely during pandemic and gains from value for money positioning with higher market share gains 4) Hindi belt – 35% of entire market saw market share improvement from 1/3 of national share to 1 /2 of national share 5) Rusk – solid double digit growth 6) Cake – Innovations doing good, base cake category has not grown much, gained Market share 7) Wafers has performed well with 30% + growth. Currently no 2 with no 1 in distribution, new plant in Tamil Nadu will provide innovation opportunity. 8) Croissants doing well in test markets, remains in fine tuning stage 9) Cheese continues to grow double digit, recovery expected in drinks portfolio (Milk shakes and Lassi) as out of home consumption picks up.9) Capex guidance for FY21 is Rs 2bn. Capex of Rs 7bn completed at Ranjangaon plant expect to complete overall capex of Rs 15bn by 2024.

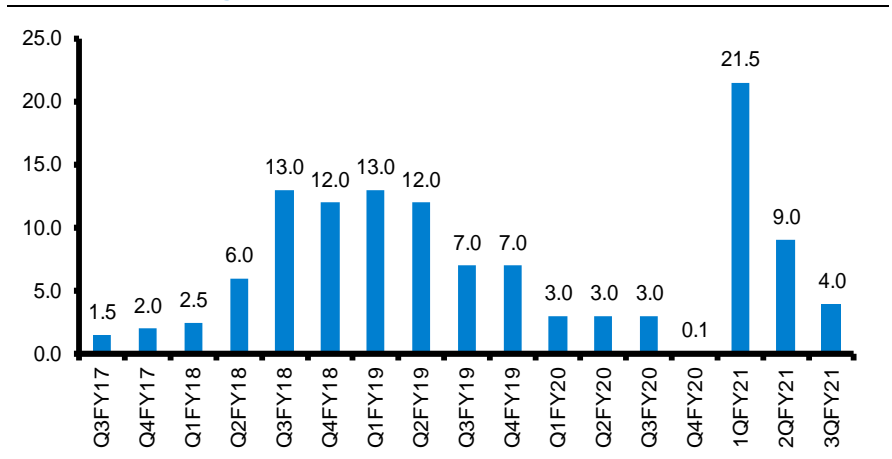
Sales up 5.7%, Adj PAT up 18.9%: Standalone Net sales increased 5.7% YoY to Rs 29.79bn (Est Rs31.29bn). Volumes increased by 4%. Gross margins at 41.6%, expanded 170bps. EBITDA grew 18.5% YoY to Rs 5.71bn (Est Rs 5.76bn) and EBITDA margins expanded 210bps to 19.2% (Est 18.4%) on back of higher gross margins and 40 bps lower other expenses. Other income grew 20.4% to Rs778mn. PBT increased 19.2% to Rs5.79bn (Est Rs 5.44bn). Adj. PAT increased 18.9% YoY to Rs 4.28bn (Est Rs4.08bn). Imputed subsidiary sales at Rs 1.87bn, up 14%. PAT of Rs 242m vs Rs 92m in 3Q20.

Exhibit 1: 3QFY21 Standalone Results: Sales up 5.7%, PBT up 19.2% and PAT up 18.9%

Y/e March (Rs m)	Q3FY21	Q3FY20	YoY gr. (%)	Q2FY21	9MFY21	9MFY20	YoY gr. (%)
Net Sales	29,787	28,192	5.7	32,276	94,262	82,947	13.6
Gross Profit	12,377	11,241	10.1	13,087	38,394	32,960	16.5
<i>Margins (%)</i>	<i>41.6</i>	<i>39.9</i>	<i>1.7</i>	<i>40.5</i>	<i>40.7</i>	<i>39.7</i>	<i>1.0</i>
Other Expenses	6,670	6,423	3.8	6,878	19,760	19,557	1.0
<i>% of Sales</i>	<i>22.4</i>	<i>22.8</i>	<i>-0.4</i>	<i>21.3</i>	<i>21.0</i>	<i>23.6</i>	<i>-2.6</i>
EBITDA	5,707	4,818	18.5	6,209	18,634	13,403	39.0
<i>Margins (%)</i>	<i>19.2</i>	<i>17.1</i>	<i>2.1</i>	<i>19.2</i>	<i>19.8</i>	<i>16.2</i>	<i>3.6</i>
Depreciation	409	384	6.4	406	1,216	1,124	8.2
Interest	287	221		267	773	445	
Other Income	778	646	20.4	712	2,363	2,603	(9.2)
PBT	5,789	4,858	19.2	6,248	19,008	14,438	31.7
Tax	1,505	1,254	20.0	1,624	4,942	3,596	37.4
<i>Tax Rate (%)</i>	<i>26.0</i>	<i>25.8</i>	<i>0.2</i>	<i>26.0</i>	<i>26.0</i>	<i>24.9</i>	<i>1.1</i>
Adjusted PAT	4,284	3,604	18.9	4,623	14,066	10,841	29.7

Source: Company, PL

Exhibit 2: Volume growth in 3Q at 4%



Source: Company, PL

Exhibit 3: Range of Family packs in Modern trade



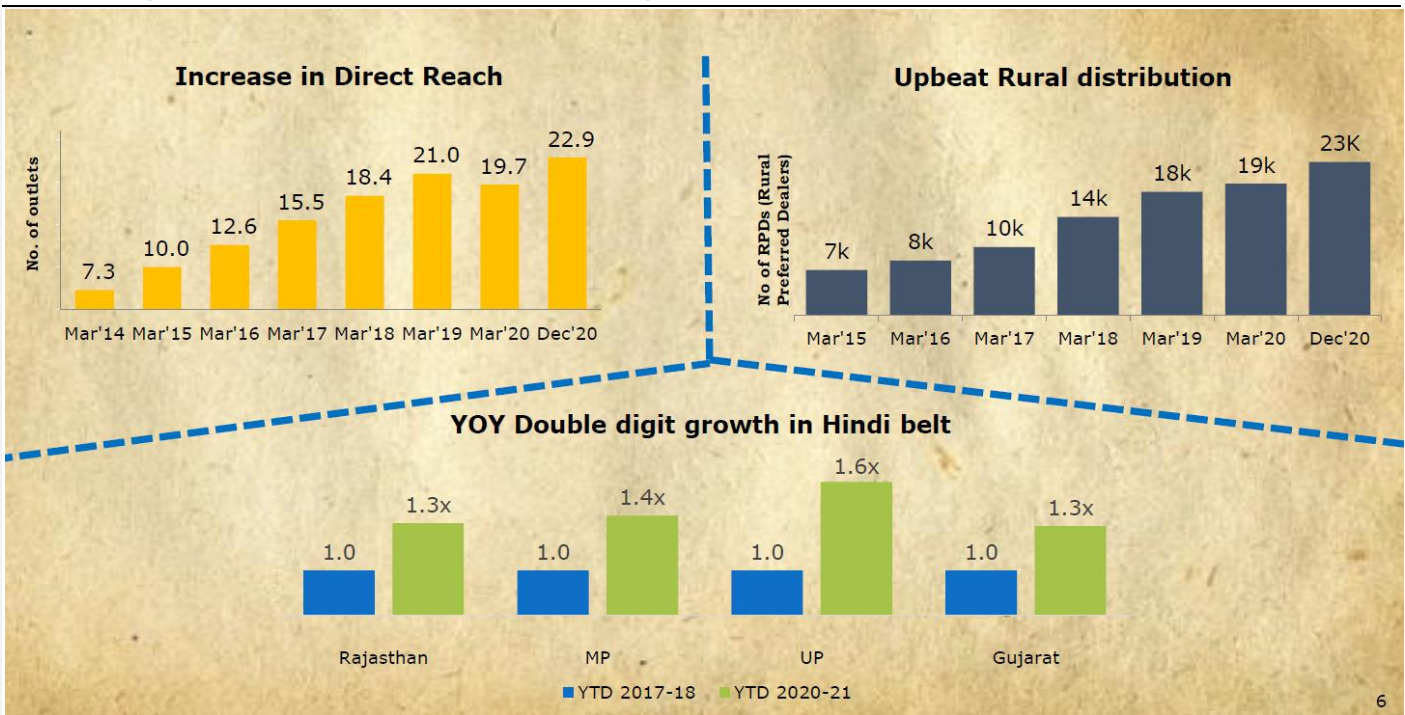
Source: Company, PL

Exhibit 4: New Launches during 3QFY21



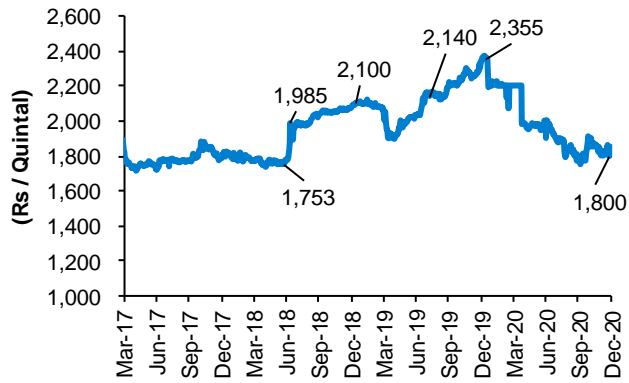
Source: Company, PL

Exhibit 5: Significant increase in rural distribution during 9MFY20



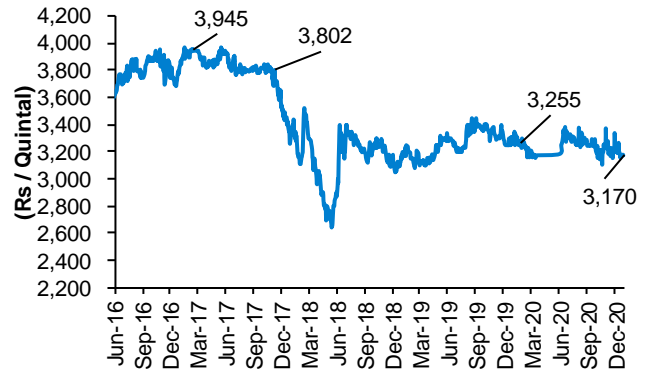
Source: Company, PL

Exhibit 6: Wheat prices down 18.8% YoY



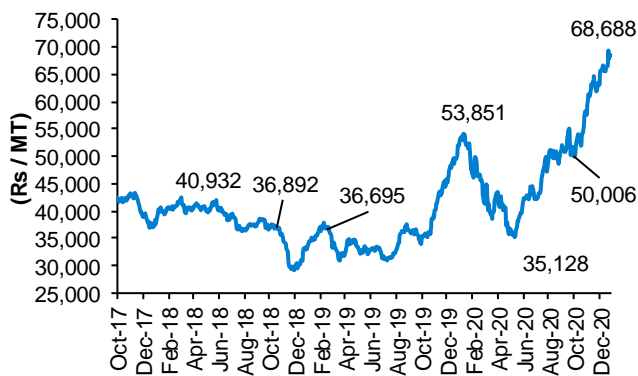
Source: Bloomberg, PL

Exhibit 7: Sugar prices down 2.2% YoY and 3.4% QoQ



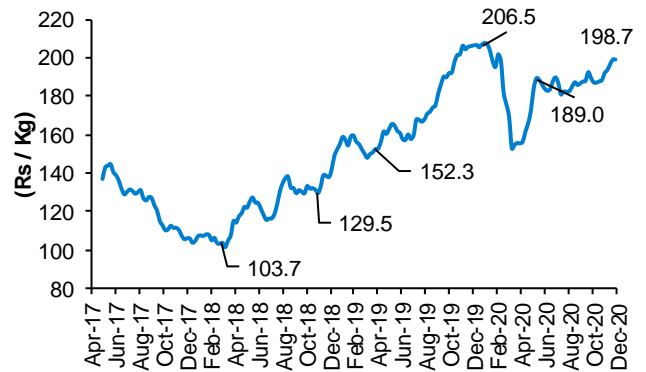
Source: Bloomberg, PL

Exhibit 8: Palmoil prices up 42.2% YoY



Source: Bloomberg, PL

Exhibit 9: SMP price up 3.5% YoY but down 2% QoQ



Source: Bloomberg, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Net Revenues	1,09,867	1,24,020	1,37,654	1,53,061
YoY gr. (%)	4.8	12.9	11.0	11.2
Cost of Goods Sold	66,577	73,481	81,523	91,310
Gross Profit	43,290	50,539	56,131	61,751
Margin (%)	39.4	40.8	40.8	40.3
Employee Cost	3,689	4,031	4,271	4,524
Other Expenses	6,255	6,475	7,356	8,067
EBITDA	17,707	24,206	26,728	29,888
YoY gr. (%)	6.5	36.7	10.4	11.8
Margin (%)	16.1	19.5	19.4	19.5
Depreciation and Amortization	1,517	1,664	1,807	1,974
EBIT	16,190	22,542	24,921	27,914
Margin (%)	14.7	18.2	18.1	18.2
Net Interest	652	816	1,186	799
Other Income	3,354	2,791	1,469	1,704
Profit Before Tax	18,893	24,516	25,204	28,818
Margin (%)	17.2	19.8	18.3	18.8
Total Tax	4,240	6,252	6,427	7,349
Effective tax rate (%)	22.4	25.5	25.5	25.5
Profit after tax	14,653	18,265	18,777	21,470
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	14,653	18,265	18,777	21,470
YoY gr. (%)	30.6	24.6	2.8	14.3
Margin (%)	13.3	14.7	13.6	14.0
Extra Ord. Income / (Exp)	190	-	-	-
Reported PAT	14,843	18,265	18,777	21,470
YoY gr. (%)	32.3	23.1	2.8	14.3
Margin (%)	13.5	14.7	13.6	14.0
Other Comprehensive Income	(46)	-	-	-
Total Comprehensive Income	14,797	18,265	18,777	21,470
Equity Shares O/s (m)	241	241	241	241
EPS (Rs)	60.9	75.9	78.1	89.3

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
Non-Current Assets				
Gross Block	24,775	26,570	29,120	31,670
Tangibles	24,360	26,110	28,610	31,110
Intangibles	415	460	510	560
Acc: Dep / Amortization	10,170	11,834	13,641	15,615
Tangibles	9,838	11,459	13,217	15,138
Intangibles	332	375	424	477
Net fixed assets	14,605	14,736	15,479	16,055
Tangibles	14,521	14,651	15,393	15,972
Intangibles	84	85	87	83
Capital Work In Progress	389	639	1,139	1,639
Goodwill	-	-	-	-
Non-Current Investments	33,844	19,106	19,223	19,354
Net Deferred tax assets	(110)	(232)	(358)	(502)
Other Non-Current Assets	593	184	189	216
Current Assets				
Investments	10,581	8,289	12,184	14,165
Inventories	6,335	7,941	8,814	9,801
Trade receivables	2,422	2,793	3,092	3,433
Cash & Bank Balance	392	1,115	2,071	2,255
Other Current Assets	3,324	3,421	3,661	4,071
Total Assets	72,533	58,285	65,920	71,065
Equity				
Equity Share Capital	241	241	241	241
Other Equity	42,506	27,607	26,843	38,090
Total Networkth	42,747	27,847	27,083	38,330
Non-Current Liabilities				
Long Term borrowings	7,221	7,214	14,188	6,979
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	4,800	3,215	2,515	1,515
Trade payables	9,560	11,243	12,470	13,572
Other current liabilities	7,791	8,213	8,968	9,813
Total Equity & Liabilities	72,533	58,285	65,920	71,065

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21E	FY22E	FY23E
PBT	18,893	24,516	25,204	28,818
Add. Depreciation	1,517	1,664	1,807	1,974
Add. Interest	652	816	1,186	799
Less Financial Other Income	3,354	2,791	1,469	1,704
Add. Other	(2,992)	(2,859)	(1,449)	(1,701)
Op. profit before WC changes	18,069	24,138	26,748	29,890
Net Changes-WC	(2,055)	2,311	(3,332)	(1,781)
Direct tax	(4,240)	(6,252)	(6,427)	(7,349)
Net cash from Op. activities	11,775	20,197	16,989	20,761
Capital expenditures	(2,586)	(2,045)	(3,050)	(3,050)
Interest / Dividend Income	3,354	2,791	1,469	1,704
Others	(11,621)	15,353	-	-
Net Cash from Inv. activities	(10,853)	16,099	(1,581)	(1,346)
Issue of share cap. / premium	(7,956)	(1,779)	(8,718)	1,802
Debt changes	12,019	(1,592)	6,275	(8,210)
Dividend paid	(4,346)	(31,385)	(10,823)	(12,025)
Interest paid	(652)	(816)	(1,186)	(799)
Others	-	-	-	-
Net cash from Fin. activities	(934)	(35,572)	(14,452)	(19,232)
Net change in cash	(13)	724	956	184
Free Cash Flow	9,189	18,152	13,939	17,711

Source: Company Data, PL Research

Key Financial Metrics

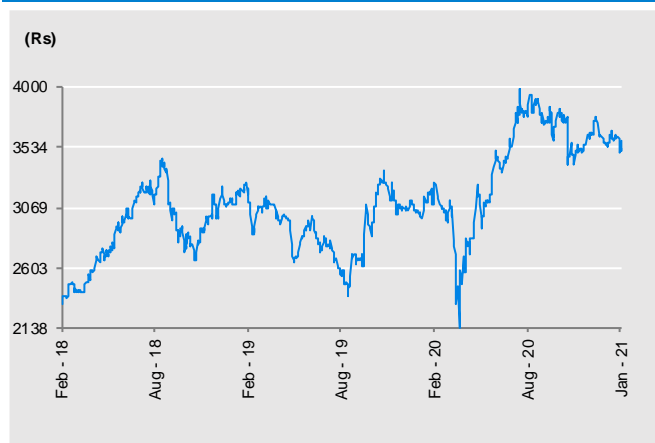
Y/e Mar	FY20	FY21E	FY22E	FY23E
Per Share(Rs)				
EPS	60.9	75.9	78.1	89.3
CEPS	67.2	82.9	85.6	97.5
BVPS	177.7	115.8	112.6	159.4
FCF	38.2	75.5	58.0	73.6
DPS	35.0	95.5	45.0	50.0
Return Ratio(%)				
RoCE	34.0	48.5	60.7	61.6
ROIC	26.3	46.1	48.2	51.1
RoE	35.2	51.7	68.4	65.6
Balance Sheet				
Net Debt : Equity (x)	0.0	0.0	0.1	(0.2)
Net Working Capital (Days)	(3)	(1)	(1)	(1)
Valuation(x)				
PER	57.0	45.7	44.5	38.9
P/B	19.5	30.0	30.8	21.8
P/CEPS	51.7	41.9	40.6	35.6
EV/EBITDA	47.2	34.6	31.3	27.7
EV/Sales	7.6	6.7	6.1	5.4
Dividend Yield (%)	1.0	2.7	1.3	1.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY20	Q1FY21	Q2FY21	Q3FY21
Net Revenue	26,919	32,199	32,276	29,787
YoY gr. (%)	0.9	24.8	11.4	5.7
Raw Material Expenses	16,590	19,270	19,188	17,410
Gross Profit	10,329	12,929	13,087	12,377
Margin (%)	38.4	40.2	40.5	41.6
EBITDA	4,303	6,718	6,209	5,707
YoY gr. (%)	1.9	73.0	32.0	18.5
Margin (%)	16.0	20.9	19.2	19.2
Depreciation / Depletion	393	401	406	409
EBIT	3,910	6,317	5,803	5,298
Margin (%)	14.5	19.6	18.0	17.8
Net Interest	207	219	267	287
Other Income	752	873	712	778
Profit before Tax	4,455	6,971	6,248	5,789
Margin (%)	16.5	21.7	19.4	19.4
Total Tax	643	1,813	1,624	1,505
Effective tax rate (%)	14.4	26.0	26.0	26.0
Profit after Tax	3,812	5,159	4,623	4,284
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	3,812	5,159	4,623	4,284
YoY gr. (%)	31.6	93.8	1.0	18.9
Margin (%)	14.2	16.0	14.3	14.4
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	3,812	5,159	4,623	4,284
YoY gr. (%)	31.6	106.3	(6.1)	18.9
Margin (%)	14.2	16.0	14.3	14.4
Other Comprehensive Income	(43)	(1)	-	(1)
Total Comprehensive Income	3,769	5,158	4,623	4,283
Avg. Shares O/s (m)	241	241	241	240
EPS (Rs)	15.8	21.4	19.2	17.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jan-21	BUY	4,301	3,540
2	20-Oct-20	BUY	4,301	3,553
3	08-Oct-20	BUY	4,279	3,795
4	05-Oct-20	BUY	4,279	3,830
5	05-Oct-20	BUY	4,279	3,830
6	17-Jul-20	BUY	4,316	3,785
7	08-Jul-20	BUY	4,046	3,678
8	03-Jun-20	BUY	3,744	3,510
9	15-Apr-20	BUY	3,744	2,837
10	10-Feb-20	BUY	3,725	3,156

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	2,829	2,740
2	Avenue Supermarts	BUY	3,296	2,968
3	Bajaj Electricals	BUY	884	768
4	Britannia Industries	BUY	4,301	3,540
5	Colgate Palmolive	Hold	1,651	1,564
6	Crompton Greaves Consumer Electricals	BUY	447	412
7	Dabur India	Accumulate	550	515
8	Emami	BUY	568	483
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Hold	1,126	1,131
11	Hindustan Unilever	BUY	2,502	2,391
12	ITC	BUY	254	205
13	Jubilant FoodWorks	Accumulate	2,941	2,646
14	Kansai Nerolac Paints	BUY	653	579
15	Marico	Accumulate	440	411
16	Nestle India	Hold	17,640	18,515
17	Pidilite Industries	Hold	1,739	1,670
18	Polycab India	BUY	1,247	1,278
19	Titan Company	UR	-	1,573
20	Voltas	UR	-	882

PL's Recommendation Nomenclature (Absolute Performance)

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



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