

Britannia Industries Limited



Britannia Industries Ltd.

Strong revenue growth across core products; margins remained under pressure

CMP INR 3,277	Target INR 3,755	Potential Upside 14.6%	Market Cap (INR Mn) INR 788,121	Recommendation ACCUMULATE	Sector FMCG
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Result Highlights of Q4FY22

- For Q4FY22, Britannia Industries reported revenues at INR 35,505 Mn and reported growth of 13.4% YoY (-0.7% QoQ). For FY22 revenues stood at INR 1,41,363 Mn, up by 7.6% from FY21.
- EBITDA for Q4FY22 stood at INR 5,497 Mn, up of 8.8% YoY (1.8% QoQ) with margins at 15.5% (-66 bps/38 bps YoY/QoQ, respectively). For FY22, EBITDA stood at INR 22,015 Mn with margins at 15.6%, down by 353 bps YoY.
- Net Profit for Q4FY22 increased by 4.1% YoY and 1.6% QoQ to INR 3,788 Mn, with NPM of 10.8% (-95bps YoY). NPM for FY22 decreased by 340 bps to 10.8%. Net profit for FY22 was INR 15,250 Mn, down by 18.1% YoY.

MARKET DATA

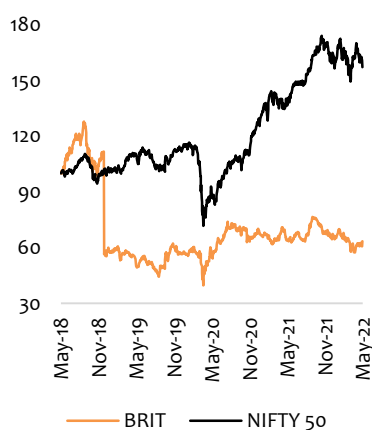
Shares outs (Mn)	241
Mkt Cap (INR Mn)	788,121
52 Wk H/L (INR)	4,153/3,050
Volume Avg (3m K)	385
Face Value (INR)	1
Bloomberg Code	BRIT IN

KEY FINANCIALS

INR Mn	FY20	FY21	FY22	FY23E	FY24E
Revenue	1,15,996	1,31,361	1,41,363	1,56,522	1,72,174
EBITDA	18,432	25,093	22,015	26,217	30,991
PAT	14,026	18,653	15,250	17,988	21,692
EPS (INR)	58.3	77.4	63.3	74.7	90.1
EBITDA Margin (%)	15.9%	19.1%	15.6%	16.8%	18.0%
NPM (%)	12.1%	14.2%	10.8%	11.5%	12.6%

Source: Company, KRChoksey Research

SHARE PRICE PERFORMANCE



MARKET INFO

SENSEX	55,702
NIFTY	16,683

Top-line remains resilient supported by mid-single digit volume growth: In Q4FY22, Britannia Industries reported revenue growth of 13.4 % YoY (-0.7% QoQ) to INR 35,505 mn. It delivered mid-single-digit volume growth, which shows the strength of its brands in different divisions and its channel. Even with the slowdown in the rural markets, Britannia continued to expand its reach in rural markets, which has consistently helped the company gain market share over the years. The company saw E-commerce revenues double from last year. Britannia launched new products like Good Day Harmony, Jeera Marie and Nutrichoice Seeds & Herbs and new variants of Croissant & Wafers to strengthen its product line further. Milk bikis atta are doing well in India with a healthy response from the customers. Britannia relaunched its Dahi brand under the come alive brand name. Dairy showed double-digit growth, and the Winking cow has crossed revenue of INR 1,000 Mn in Q4FY22. Britannia has launched croissants with a new flavour and relaunched it in the south. Coconut water is also just getting into the market and has seen a good response initially. The Tiger crunch biscuit brand is a reasonably profitable value brand in 4 states and is doing exceptionally well with high double-digit growth of around 30-35%.

Margins back close to pre-covid levels, though pressure remains due to cost inflation: For Q4FY22, EBITDA stood at INR 5,497 Mn, growing 8.8% YoY and 1.8% QoQ. EBITDA margins stood at 15.5%, down 66 bps YoY and improved 38 bps QoQ. For FY22, EBITDA de-grew by 12.3% YoY and stood at INR 22,015 Mn with margins at 15.6%, down by 353 bps from FY21. EBITDA margins for FY22 are close to the pre-covid level of FY20, with margins spiking up in FY21. Gross margins for Q4FY22 were at 38.0%, declined by 243 bps YoY while QoQ improved by 13 bps; however, the cost of materials went up YoY and QoQ due to inflation in agricultural commodity prices and disruption in supply. The company will continue to increase prices and cut costs to manage its profitability. The company also saw its other expenses (including advertising, promotion, and distribution) as a % revenue decline from Q4FY21 and Q3FY22. Britannia has tried to control this spending to dampen the effects of inflation. PAT for Q4FY22 increased by 4.1% YoY and 1.6% QoQ to INR 3,788 Mn, with PAT margins of 10.7% (-95bps YoY). PAT for FY22 stood at INR 15,250 Mn, down by 18.1% YoY.

SHARE HOLDING PATTERN (%)

Particulars	Mar-22	Dec-21	Sep-21
Promoters	50.6	50.6	50.6
FIIs	17.2	17.6	17.7
DIIIs	7.8	11.5	11.4
Others	24.4	20.3	20.3
Total	100	100	100

10.4%

Revenue CAGR between FY22 and FY24E

19.3%

PAT CAGR between FY22 and FY24E

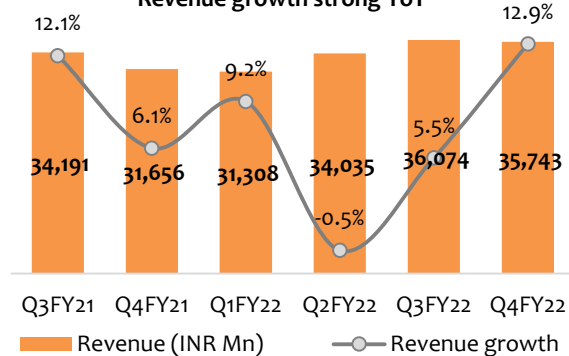
Britannia Industries Ltd.

Key Concall Highlights: (1) Britannia is the market leader in the biscuit segment and have broadened the gap as the leaders in the space. The company saw 10 consecutive years of market share gains. (2) Hindi belt revenue is growing 20% faster than the rest of India. Some smaller Hindi states need more attention. MP is not growing fast; also, growth in Chhattisgarh and Rajasthan has slipped. Brand strength is not as strong in the slow-growing states. (3) UP is their largest state and contributes to over 50% of Hindi state sales. (4) Marketing campaigns include the relaunch of Goodday – multiple smiles campaigns (new TVC), good day choco-chip TVC and relaunch. Winkin cow TVC was used this quarter because of seasonality. (5) Cost levers – supply chain automation, reducing the distance to markets, reducing wastages, and alternative energy sources. (6) Innovations in the product line include; Goodday harmony, which is doing well, Golmaal in the East (new product) initial response is good, Jeera Maari has good initial response and significant potential in the south. (7) Company is on track to eliminating 20 lakh kilos of plastic by March 2023. (8) DJSI score moved from 11% to 37%. (9) The company is on track with Sodium and sugar reduction in products by 6% and 8%. (10) Britannia is in the top 40 of India's most sustainable companies globally. (11) Bakery adjacencies have seen high double-digit growth—healthy consistent margins with bread and rusk. Croissant will be launched slowly, so regions get enough product. (12) Middle east has faced some challenges, distributor has been changed in UAE. Nepal has given good results (INR 1,000 Mn club) where they set up a manufacturing and distribution chain. (13) Because of forwarding commitments, they have been able to control some of their costs (18) Commodity inflation was at 17% & 14 % for the quarter and year. (19) Inflation in flour is at 1%, sugar at 7%, palm oil at 26%, and cashew at 36%. (20) The company is struggling to keep pace with inflation because estimations weren't made for it. (21) International – Company is not looking at too much change in this segment. Nepal business has turned from INR 100-150 Mn to INR 1000 Mn. Some decisions were made in Africa to gain some share in this market too slowly. UAE is the largest business but has suffered a bit because of its distribution partner. UAE has a new distribution partner now. Europe, America, Australia, and South-East Asia have been growing in double digits, but they are small businesses. (22) Cake and rusk have the potential to become 20 Mn+ businesses. Dairy has a lot of potentials, and a lot can be done in the value-added dairy space. The company crossed INR 5,000 Mn mark in dairy. (23) Croissants have an entry barrier; it requires a lot of attention because it's a new category for the Indian consumer. The company has already finetuned it with the help of consumers. (24) New product contribution is 4.5% of the top line. It will be expected to be higher for FY23.

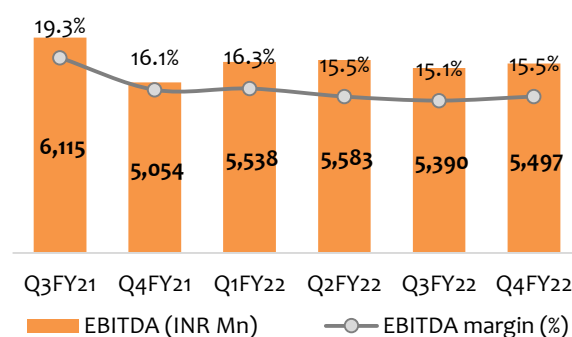
Valuation and view

The rural demand continues to be weak for the industry due to the slow recovery from covid, but Britannia has continued to gain market share for the 10th consecutive year. It has managed margins well even with the rise in costs of inputs like cashew, palm oil etc. Even with inflationary pressure, the company had a decent Q4FY22 quarter with new product launches that will continue to drive revenue next year. The company will make necessary price hikes if required. **Considering all these factors, we apply the P/E multiple of 41.7x to the FY24E EPS of INR 90.05 and arrive at the target price of INR 3,755 per share (earlier INR 3,897 per share); an upside of 14.6% over the CMP. Accordingly, we maintain our 'ACCUMULATE' rating on the shares of Britannia Industries.**

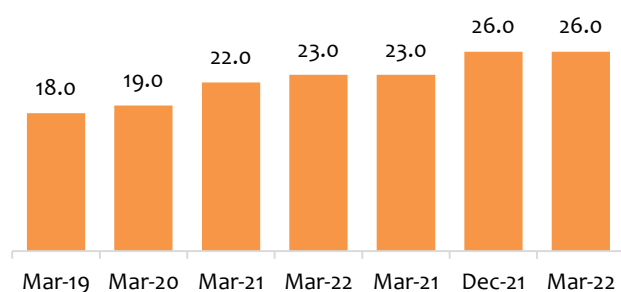
Revenue growth strong YoY



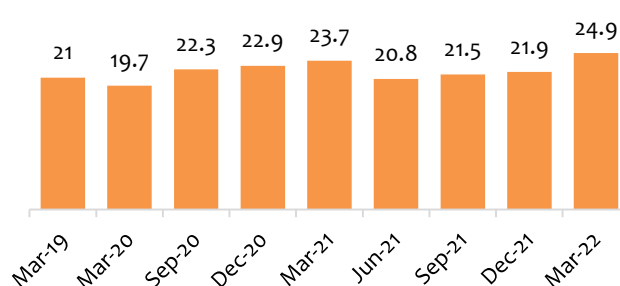
Margins stabilizing but still under pressure



No of Rural Preferred Dealers (In '000)



Direct Distributors (In lakhs)



Source: Company, KRChoksey Research

Britannia Industries Ltd.

KEY FINANCIALS

Particulars (INR Mn)	Q4FY22	Q3FY22	Q4FY21	QoQ	YoY	FY22	FY21	YoY
Sales	35,505	35,750	31,308	-0.7%	13.4%	1,41,363	1,31,361	7.6%
Total Expenditure	30,008	30,353	26,254	-1.1%	14.3%	1,19,348	1,06,269	12.3%
Cost of Raw Materials	18,587	18,183	15,324	2.2%	21.3%	74,740	65,023	14.9%
Changes in Inventories	-72	-117	260	-38.5%	-127.6%	-753	-371	102.7%
Other Expenses	6,795	6,878	6,375	-1.2%	6.6%	26,322	24,734	6.4%
EBITDA	5,497	5,397	5,054	1.8%	8.8%	22,015	25,093	-12.3%
EBITDA Margins (%)	15.5%	15.1%	16.1%	38 bps	-66 bps	15.6%	19.1%	-353 bps
Depreciation	509	504	528	1.1%	-3.6%	2,005	1,979	1.4%
EBIT	4,988	4,893	4,526	1.9%	10.2%	20,010	23,114	-13.4%
Interest Expense	338	374	237	-9.7%	42.5%	1,443	1,109	30.1%
Other income	538	551	632	-2.4%	-14.8%	2,228	3,129	-28.8%
PBT	5,179	5,071	4,921	2.1%	5.2%	20,785	25,128	-17.3%
Tax	1,410	1,362	1,326	3%	6.3%	5,624	6,630	-15.2%
Minority income	-19	-20	-43	-4.0%	-54.8%	-88	-133	-33.6%
PAT	3,788	3,729	3,637	1.6%	4.1%	15,250	18,631	-18.1%
PAT Margin	10.7%	10.4%	11.6%	24 bps	-95 bps	10.8%	14.2%	-340 bps
EPS	15.8	15.4	15.1	2.3%	4.2%	63.3	77.4	-18.2%

Exhibit 1: Profit & Loss Statement

INR Crores	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Revenues	99,901	1,10,547	1,15,996	1,31,361	1,41,363	1,56,522	1,72,174
COGS	61,071	65,615	69,275	76,261	87,603	95,087	1,01,927
Gross profit	38,830	44,932	46,721	55,101	53,760	61,435	70,247
Employee cost	4,016	4,418	4,867	5,274	5,423	6,261	6,543
Other expenses	19,798	23,180	23,422	24,734	26,322	28,957	32,713
EBITDA	15,017	17,334	18,432	25,093	22,015	26,217	30,991
EBITDA Margin	15.0%	15.7%	15.9%	19.1%	15.6%	16.8%	18.0%
Depreciation & amortization	1,421	1,619	1,848	1,979	2,005	2,494	2,743
EBIT	13,596	15,715	16,584	23,114	20,010	23,724	28,248
Interest expense	76	91	769	1,109	1,443	1,943	1,943
PBT	15,184	17,689	18,439	25,134	20,785	23,858	28,795
Tax	5,142	6,125	4,507	6,630	5,624	5,965	7,199
Minority interest	-3	-37	-90	-133	-88	-88	-90
PAT	10,042	11,591	14,026	18,653	15,250	17,988	21,692
Adj. PAT	10,042	11,591	14,196	18,653	15,260	17,998	21,702
EPS (INR)	41.81	48.21	58.32	77.43	63.30	74.67	90.05
Adj. EPS	41.81	48.21	59.03	77.43	63.34	74.71	90.09

Source: Company, KRChoksey Research

Exhibit 2: Cash Flow Statement

INR Crores	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Cash Generated From Operations	12,488	11,558	14,845	18,517	12,997	20,903	23,249
Net Cash Flow from/(used in) Investing Activities	(9,563)	(8,555)	(15,316)	4,613	9,109	(7,348)	(8,282)
Net Cash Flow from Financing Activities	(2,318)	(3,527)	576	(22,487)	(22,301)	(10,473)	(7,650)
Net Inc/Dec in cash equivalents	608	(524)	105	643	(196)	3,082	7,317
Opening Balance	473	1,078	603	825	1,430	1,181	4,263
Closing Balance Cash and Cash Equivalents	1,299	603	825	1,430	1,181	4,263	11,580

Source: Company, KRChoksey Research, Net of effect of exchange rate and bank O/D

Exhibit 3: Key Ratios

Key Ratio	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
EBITDA Margin (%)	15.0%	15.7%	15.9%	19.1%	15.6%	16.8%	18.0%
Tax rate (%)	33.9%	34.6%	24.4%	26.4%	27.1%	25.0%	25.0%
Net Profit Margin (%)	10.1%	10.5%	12.1%	14.2%	10.8%	11.5%	12.6%
RoE (%)	29.4%	27.0%	31.6%	52.0%	59.0%	46.0%	39.4%
RoCE (%)	37.8%	35.5%	27.9%	40.8%	39.6%	39.6%	37.2%
EPS (INR)	41.81	48.21	58.32	77.43	63.30	74.67	90.05

Source: Company, KRChoksey Research

Britannia Industries Ltd.

Exhibit 4: Balance Sheet

INR Cr	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Non-current assets							
Property, plant and equipment	11,944	15,356	17,164	16,343	15,841	18,042	20,464
Capital work-in-progress	2,028	1,012	396	1,165	5,357	5,357	5,357
Investment Property	150	147	145	142	140	140	140
Goodwill	1,282	1,304	1,390	1,359	1,396	1,396	1,396
Other intangible assets	80	76	84	85	156	156	156
Investment in Associate	20	10	15	23	21	21	21
Financial assets							
Investments	2,205	7,254	18,830	13,852	9,266	14,362	19,819
Loans	1,342	190	2,030	746	1,000	1,000	1,000
Other financial assets	0	287	313	301	318	318	318
Income Tax Assets (Net)	226	370	688	718	449	928	1,021
Deferred Tax Assets (Net)	223	138	196	97	517	264	290
Other non-current assets	866	1,011	425	1,060	992	573	630
Total non-current assets	20,366	27,155	41,673	35,891	35,451	42,556	50,612
Current assets							
Inventories	6,528	7,814	7,410	10,915	13,675	10,942	11,729
Financial assets							
Investments	8,568	7,499	10,088	13,933	8,337	8,337	8,337
Trade receivables	3,046	3,942	3,204	2,573	3,319	6,432	7,076
Cash and cash equivalents	1,299	603	812	1,427	1,181	4,263	11,580
Other Balances with Banks	565	495	416	686	669	669	669
Loans	8,443	12,039	11,101	9,466	6,980	7,678	8,446
Other financial assets	1,007	1,263	2,298	3,978	4,280	3,100	3,410
Other current assets	2,056	1,608	1,422	1,220	1,263	1,918	2,110
Total current assets	31,513	35,263	36,750	44,197	39,705	43,340	53,357
TOTAL ASSETS	51,879	62,418	78,422	80,088	75,156	85,896	1,03,969
EQUITY AND LIABILITIES							
Equity							
Equity share capital	240	240	241	241	241	241	241
Other equity	33,822	42,292	43,788	35,236	25,340	38,670	54,746
Equity attributable to the equity shareholders	34,062	42,533	44,028	35,477	25,581	38,911	54,987
Non-controlling interests	131	327	357	363	275	187	97
Total equity	34,194	42,859	44,385	35,840	25,856	39,098	55,083
LIABILITIES							
Non-current liabilities							
Financial liabilities							
Borrowings	846	619	7,661	7,478	7,070	7,478	7,478
Other financial liabilities	252	272	465	541	665	665	665
Deferred tax liabilities, (net)	0	39	127	87	8	171	188
Provisions	89	115	132	0	0	0	0
Government Grants	19	0	0	0	0	0	0
Total non-current liabilities	1,206	1,045	8,385	8,105	7,743	8,314	8,331
Current liabilities							
Financial liabilities							
Borrowings	937	761	7,480	13,394	17,586	13,394	13,394
Trade payables	9,941	11,405	11,163	13,148	12,871	15,631	16,755
Other financial liabilities	2,348	2,692	3,119	3,560	4,237	4,209	4,630
Other current liabilities	889	952	1,501	1,405	1,267	2,025	2,228
Provisions	1,790	1,965	1,913	3,875	4,851	2,581	2,839
Current tax liabilities, (net)	562	732	478	761	746	645	709
Total current liabilities	16,480	18,514	25,653	36,143	41,557	38,484	40,555
Total liabilities	17,686	19,559	34,038	44,248	49,300	46,798	48,886
TOTAL EQUITY AND LIABILITIES	51,879	62,418	78,422	80,088	75,156	85,896	1,03,969

Source: Company, KRChoksey Research

Britannia Industries Ltd.

Britannia Industries Ltd.				Rating Legend (Expected over a 12-month period)	
Date	CMP (INR)	TP(INR)	Recommendation	Our Rating	Upside
06-May-22	3,277	3,755	ACCUMULATE	Buy	More than 15%
31-Jan-22	3,535	3,987	ACCUMULATE		
10-Nov-21	3,622	3,802	HOLD	Accumulate	5% – 15%
05-Aug-21	3,611	4,000	ACCUMULATE		
30-Jun-21	3,657	4,000	ACCUMULATE	Hold	0 – 5%
29-Apr-21	3,479	4,000	BUY		
17-Mar-21	3,489	4,125	BUY	Reduce	-5% – 0
15-Dec-20	3,733	4,125	ACCUMULATE		
20-Oct-20	3,552	4,125	BUY	Sell	Less than – 5%
20-Jul-20	3,785	4,356	BUY		

ANALYST CERTIFICATION:

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