

August 4, 2022

Q1FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY23E	FY24E	FY23E	FY24E
Rating	HOLD		UNDER REVIEW	
Target Price	3,880		-	
Sales (Rs. m)	1,56,943	1,75,256	1,58,007	1,76,445
% Chng.	(0.7)	(0.7)		
EBITDA (Rs. m)	23,429	29,470	23,822	29,920
% Chng.	(1.7)	(1.5)		
EPS (Rs.)	66.3	84.9	67.1	85.2
% Chng.	(1.2)	(0.4)		

Key Financials - Consolidated

Y/e Mar	FY21	FY22	FY23E	FY24E
Sales (Rs. m)	1,31,361	1,41,363	1,56,943	1,75,256
EBITDA (Rs. m)	25,093	22,015	23,429	29,470
Margin (%)	19.1	15.6	14.9	16.8
PAT (Rs. m)	18,512	15,170	15,966	20,447
EPS (Rs.)	76.8	63.0	66.3	84.9
Gr. (%)	31.0	(18.1)	5.3	28.1
DPS (Rs.)	82.9	74.5	56.5	57.0
Yield (%)	2.2	2.0	1.5	1.5
RoE (%)	46.6	49.7	61.6	68.9
RoCE (%)	40.0	37.5	46.4	60.6
EV/Sales (x)	7.0	6.5	5.9	5.2
EV/EBITDA (x)	36.4	42.0	39.2	30.9
PE (x)	49.1	59.9	57.0	44.5
P/BV (x)	25.6	35.6	34.7	27.5

Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.4,153 / Rs.3,050
Sensex / Nifty	58,299 / 17,382
Market Cap	Rs.909bn/ \$ 11,442m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.1517.87m

Shareholding Pattern (%)

Promoter's	50.55
Foreign	16.65
Domestic Institution	8.74
Public & Others	24.06
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	2.0	6.0	5.5
Relative	(6.8)	6.6	(1.6)

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Worst seems over, sharp uptick caps returns

Quick Pointers:

- Volumes decline 2%, pack sales flat, price hike of 6-7% likely in 1H23.
- Rural market share grows 1.5x of all-India share, Ecom grows 8x since 1Q20

We cut our FY23/24 EPS estimates by 1.2%/0.4% and assign HOLD rating (Under Review earlier) post a sharp 22% return from the lows. While 1Q volumes were a tad disappointing, input cost inflation holds key to profitability in the near to medium term. While the prices of Palmoil (down 51% from peak), SMP (11% decline since June 30th) and Crude linked inputs have corrected from the peak, wheat prices remain volatile (up 13% since June 30, 30% of RM). We don't rule out QoQ margin improvement, however reverting to earlier margin trajectory will take another couple of quarters. We believe volume growth outlook will improve from 2Q onwards given increase in direct rural reach & success of new launches (Potazos, Milk Bikis - Atta, Good Day Harmony launch, pan India launch of Croissant and Biscafe).

BRIT continues to build long term growth drivers with 1) 27k rural preferred dealers (26k in 4Q22) 2) rising share of MT sales with improved mix 3) higher growth in focus states 4) target of 3% cost efficiency gains (FY23) in manufacturing, distribution and procurement 5) sustained innovation program with products like Biscafé, Goodday Harmony, Cheese wafer, Nutrichoice herbs, Jeera Marie, Marble Cake and Croissants in Bakery segment and 6) commercial production of Ranjangaon Dairy unit. We estimate 11.4%/16.1% sales and PAT CAGR over FY22-24 on margin recovery from FY22 lows. We roll over to 44x Jun24EPS thereby arriving at a target price of Rs3,880 (Rs NA earlier). we expect back ended returns given sharp run up in stock price from the lows. We assign HOLD rating on the stock.

Concall Takeaways: 1) Rural marketshare has grown 1.5x of all-India share. 2) E-commerce now contributes 2.5% of total sales. Mix in e-comm/quick-comm is richer vs GT. Categories such as cakes, biscuits, dairy have seen higher salience.3) Wheat/Palm Oil saw 80%/90% inflation on 3Q21 base which has since corrected to 50%/50% towards 1Q23 end. Management expects inflation to come under control by 4QFY23. 4) Price increases were taken ahead of market in 1Q which should cover a large part of inflation in 2Q while targeting cost efficiencies of ~3% of FY23 sales. Price hike of 6-7% will need to be taken in 1H23 to mitigate inflation. 5) New launches – Biscafe has seen traction while Croissant has seen excellent response post pan-India launch. A new cheese wafer product has been launched in South due to limited capacity. Launched cupcake – Muffins at Rs 5 price point in East & Central India which has done well while Marble cake has been scaled up pan-India. NPd salience at 5% of sales. 6) Wafers & Croissant hav trended towards Rs 1bn ARR. 7) Milk Bikis crossed Rs10bn in revenues in FY22 & is expected to move up higher in FY23. 8) Ad spends are expected to improve as margins & profitability normalises. 9) Hindi belt (ex-Rajasthan) continues to see strong growth 10) ICD have reduced QoQ (Rs 7.4bn) to Rs6.9bn.

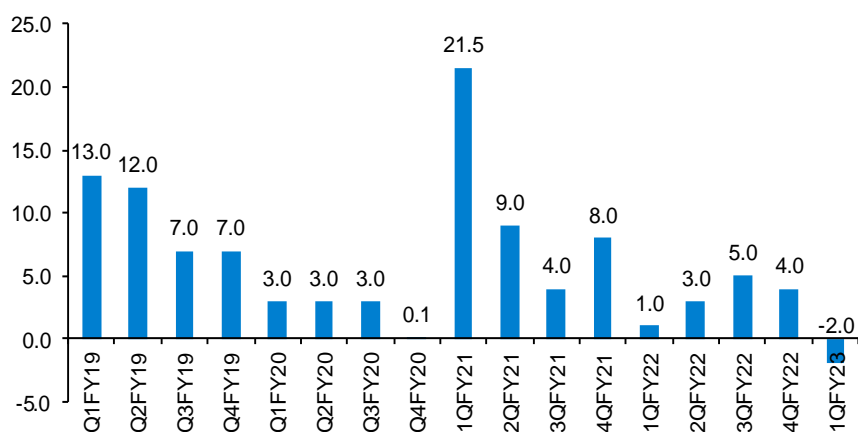
Volumes decline 2%, GM contracts 160bps QoQ: Consolidated Revenues grew by 8.7% YoY to Rs37bn (PLe: Rs38.7bn). Gross margins contracted by 182bps YoY/116bps QoQ to 36.9% (PLe: 37.0%). EBITDA declined by 9.6% YoY to Rs5bn (PLe: Rs5.9bn); Margins contracted by 274bps YoY/195bps QoQ to 13.5% (PLe:15.3%). PBT declined by 12.7% YoY to Rs 4.6bn (PLe: Rs 5.6bn). Adjusted PAT declined by 13.2% YoY to Rs3.4bn (PLe: Rs4.1bn). Imputed Subsidiary Sales grew by 7.3% YoY to Rs1.8bn; PAT came in at Rs143mn vs Rs791mn loss last year. Standalone Revenues grew by 8.8% YoY to Rs35.2bn. EBITDA declined by 10.3% YoY to R4.7bn while margins declined by 284bps YoY/230bps QoQ to 13.3%. PAT declined by 31% YoY to Rs 3.2bn.

Exhibit 1: 1QFY23 Consolidated Results: Sales up 8.7%, Margins contracted by 274bps YoY & 195bps QoQ

Y/e March (Rs m)	1QFY23	1QFY22	YoY gr. (%)	4QFY22	FY22	FY21	YoY gr. (%)
Net Sales	37,010	34,035	8.7	35,505	1,41,363	1,31,361	7.6
Gross Profit	13,648	13,170	3.6	13,506	53,760	55,100	(2.4)
<i>Margins (%)</i>	<i>36.9</i>	<i>38.7</i>	<i>-1.8</i>	<i>38.0</i>	<i>38.0</i>	<i>41.9</i>	<i>-3.9</i>
Other Expenses	8,641	7,632	13.2	8,009	31,745	30,008	5.8
<i>% of Sales</i>	<i>23.3</i>	<i>22.4</i>	<i>0.9</i>	<i>22.6</i>	<i>22.5</i>	<i>22.8</i>	<i>-0.4</i>
EBITDA	5,007	5,538	(9.6)	5,497	22,015	25,092	(12.3)
<i>Margins (%)</i>	<i>13.5</i>	<i>16.3</i>	<i>-2.7</i>	<i>15.5</i>	<i>15.6</i>	<i>19.1</i>	<i>-3.5</i>
Depreciation	510	491	3.9	509	2,005	1,979	1.4
Interest	420	342	22.7	338	1,443	1,109	
Other Income	555	605	(8.2)	538	2,228	3,129	(28.8)
PBT	4,633	5,310	(12.7)	5,188	20,795	25,134	(17.3)
Tax	1,274	1,442	(11.6)	1,410	5,624	6,630	(15.2)
<i>Tax Rate (%)</i>	<i>27.5</i>	<i>27.2</i>	<i>0.3</i>	<i>27.2</i>	<i>27.0</i>	<i>26.4</i>	<i>0.7</i>
Adjusted PAT	3,359	3,868	(13.2)	3,779	15,172	18,504	(18.0)

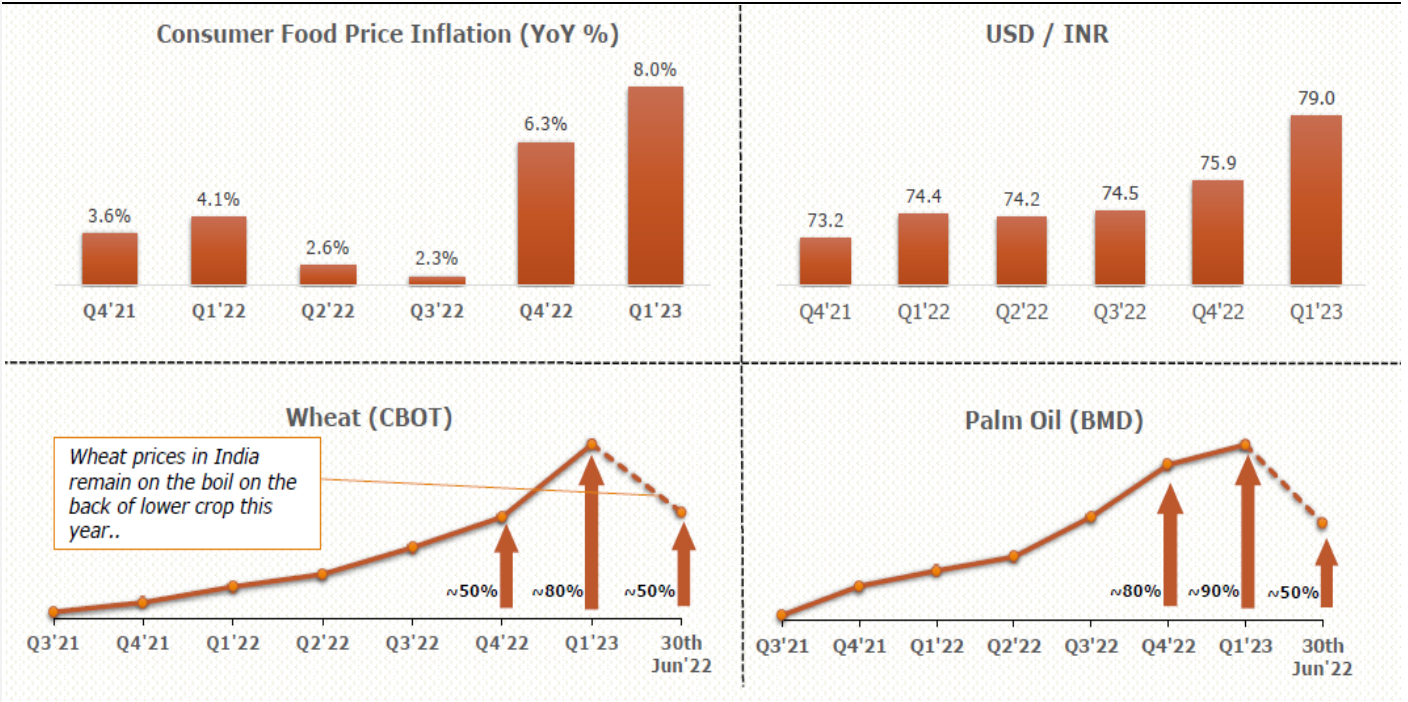
Source: Company, PL

Exhibit 2: Volumes decline 2% YoY; grows 6.3% on 3-year CAGR



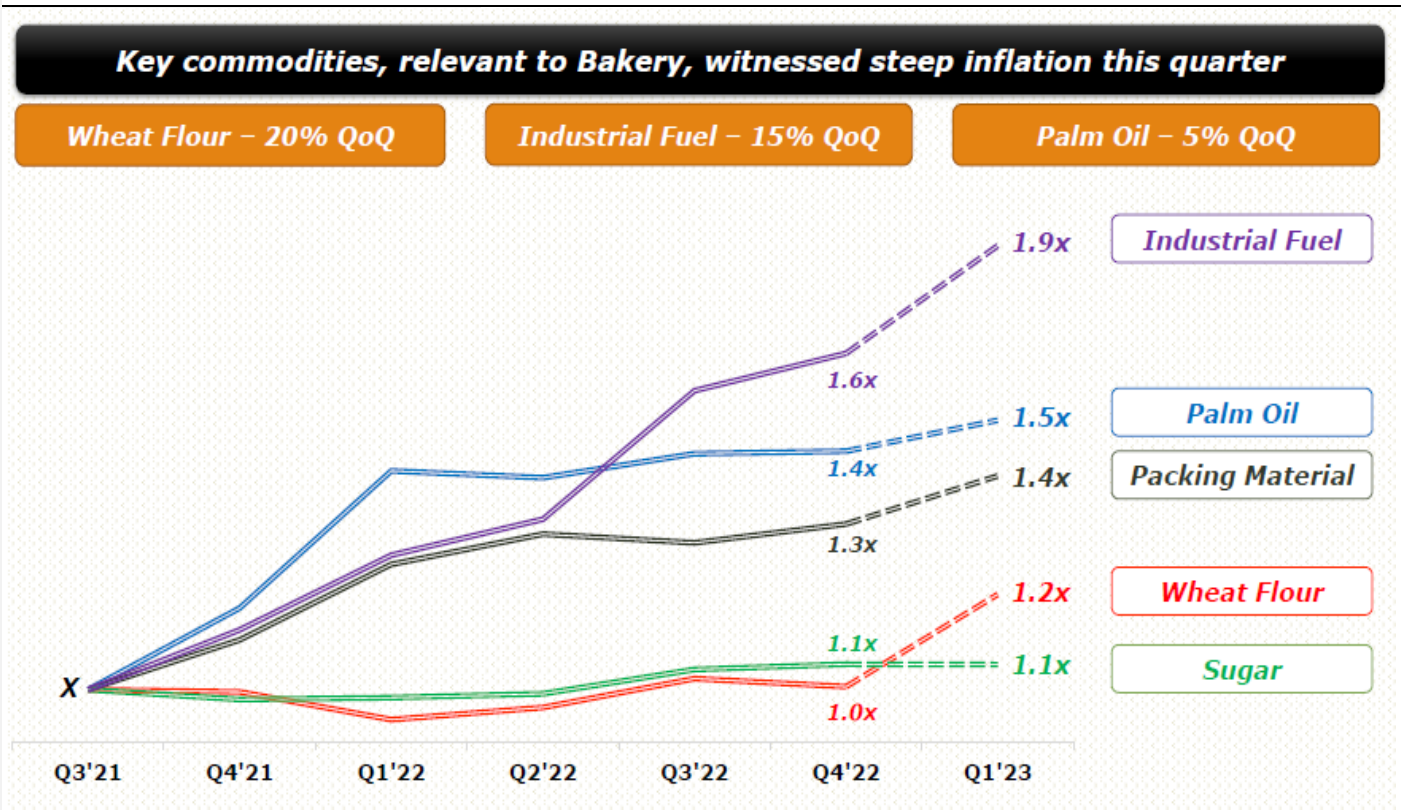
Source: Company, PL

Exhibit 3: Inflationary situation continues



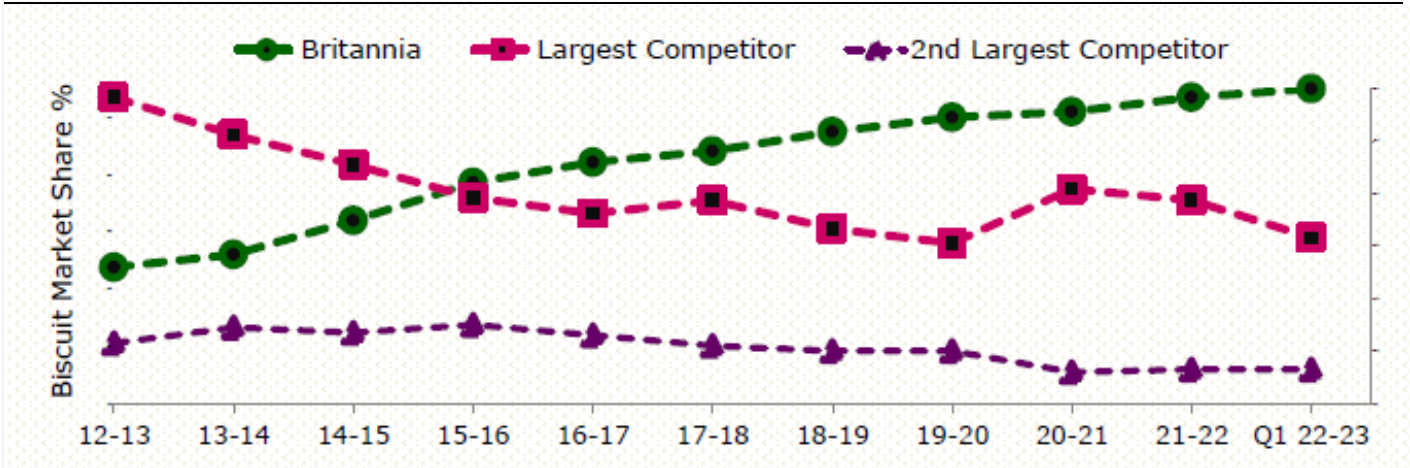
Source: Company, PL

Exhibit 4: Key commodities sees sequential inflation



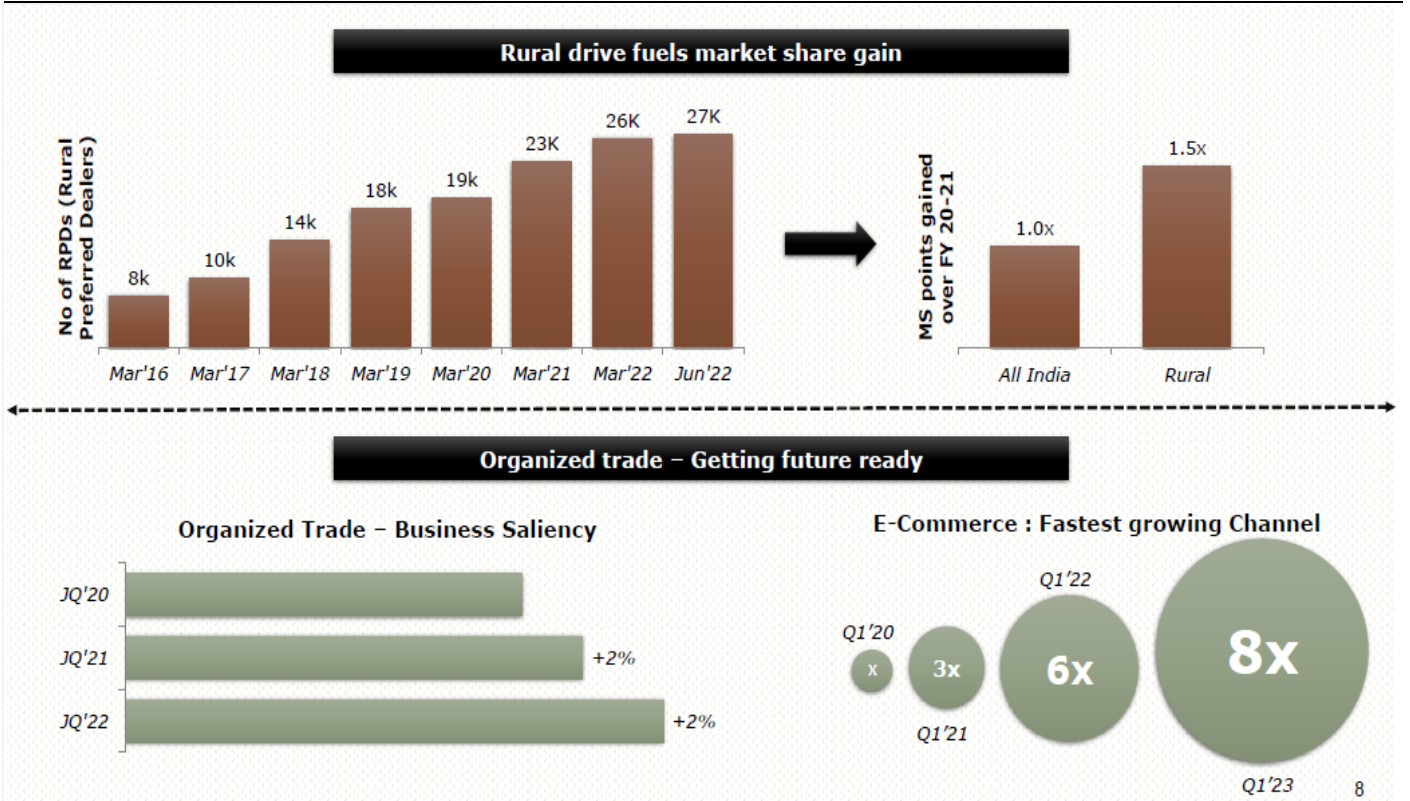
Source: Company, PL

Exhibit 5: BRIT continues to gain market share



Source: Company, PL

Exhibit 6: Rural preferred dealers increase by 1k; E-com sales grow 8x on 1QFY20 base



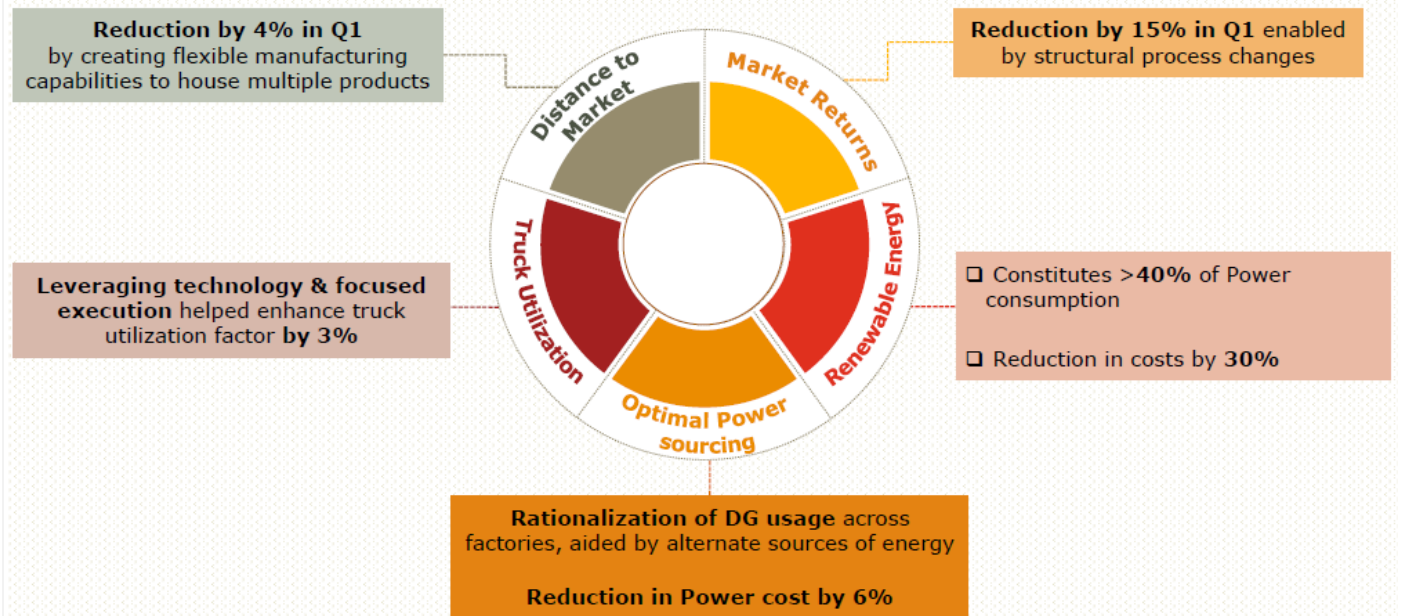
Source: Company, PL

Exhibit 7: Portfolio Expansions / Category Innovations during 1QFY23



Source: Company, PL

Exhibit 8: Cost efficiencies coupled with calibrated price hikes to help combat inflation



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Net Revenues	1,31,361	1,41,363	1,56,943	1,75,256
YoY gr. (%)	13.2	7.6	11.0	11.7
Cost of Goods Sold	76,261	87,603	97,195	1,05,503
Gross Profit	55,100	53,760	59,748	69,753
Margin (%)	41.9	38.0	38.1	39.8
Employee Cost	5,274	5,423	5,964	6,835
Other Expenses	549	557	549	596
EBITDA	25,093	22,015	23,429	29,470
YoY gr. (%)	36.1	(12.3)	6.4	25.8
Margin (%)	19.1	15.6	14.9	16.8
Depreciation and Amortization	1,979	2,005	2,202	2,501
EBIT	23,114	20,010	21,227	26,969
Margin (%)	17.6	14.2	13.5	15.4
Net Interest	1,109	1,443	1,447	1,169
Other Income	3,129	2,228	2,146	2,019
Profit Before Tax	25,134	20,795	21,926	27,819
Margin (%)	19.1	14.7	14.0	15.9
Total Tax	6,630	5,624	5,960	7,372
Effective tax rate (%)	26.4	27.0	27.2	26.5
Profit after tax	18,504	15,172	15,966	20,447
Minority interest	-	-	-	-
Share Profit from Associate	8	(2)	-	-
Adjusted PAT	18,512	15,170	15,966	20,447
YoY gr. (%)	31.2	(18.1)	5.3	28.1
Margin (%)	14.1	10.7	10.2	11.7
Extra Ord. Income / (Exp)	(6)	(10)	-	-
Reported PAT	18,506	15,160	15,966	20,447
YoY gr. (%)	32.8	(18.1)	5.3	28.1
Margin (%)	14.1	10.7	10.2	11.7
Other Comprehensive Income	(15)	63	-	-
Total Comprehensive Income	18,491	15,223	15,966	20,447
Equity Shares O/s (m)	241	241	241	241
EPS (Rs)	76.8	63.0	66.3	84.9

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
Non-Current Assets				
Gross Block	27,560	29,483	36,146	39,314
Tangibles	25,896	27,670	34,273	37,381
Intangibles	1,664	1,813	1,873	1,933
Acc: Dep / Amortization	9,631	11,951	14,152	16,654
Tangibles	9,411	11,690	13,871	16,364
Intangibles	219	261	281	290
Net fixed assets	17,929	17,532	21,993	22,660
Tangibles	16,485	15,980	20,401	21,017
Intangibles	1,444	1,552	1,592	1,643
Capital Work In Progress	1,165	5,357	757	257
Goodwill	-	-	-	-
Non-Current Investments	14,924	10,604	10,634	10,666
Net Deferred tax assets	10	509	534	561
Other Non-Current Assets	1,778	1,441	1,556	1,706
Current Assets				
Investments	13,933	8,337	4,708	12,268
Inventories	10,915	13,675	12,782	12,140
Trade receivables	2,573	3,319	3,182	3,555
Cash & Bank Balance	2,113	1,849	503	1,869
Other Current Assets	1,218	1,263	1,412	1,577
Total Assets	80,088	75,155	68,660	77,928
Equity				
Equity Share Capital	241	241	241	241
Other Equity	35,236	25,340	26,000	32,885
Total Networth	35,477	25,581	26,241	33,126
Non-Current Liabilities				
Long Term borrowings	7,472	7,070	7,070	7,070
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	13,572	17,586	8,015	7,515
Trade payables	13,132	12,852	15,081	16,941
Other current liabilities	9,386	11,120	11,148	12,097
Total Equity & Liabilities	80,088	75,155	68,660	77,928

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY21	FY22	FY23E	FY24E
PBT	25,134	20,795	21,926	27,819
Add. Depreciation	2,237	2,320	2,202	2,501
Add. Interest	1,109	1,443	1,447	1,169
Less Financial Other Income	3,129	2,228	2,146	2,019
Add. Other	(2,437)	(2,597)	(2,249)	(2,155)
Op. profit before WC changes	26,044	21,961	23,326	29,334
Net Changes-WC	1,629	85	3,809	2,843
Direct tax	(6,630)	(5,624)	(5,960)	(7,372)
Net cash from Op. activities	21,043	16,423	21,175	24,805
Capital expenditures	(2,162)	(6,113)	(2,063)	(2,668)
Interest / Dividend Income	3,129	2,228	2,146	2,019
Others	1,131	10,183	3,629	(7,560)
Net Cash from Inv. activities	2,098	6,299	3,712	(8,209)
Issue of share cap. / premium	(22,705)	3,241	2,729	49
Debt changes	5,903	3,612	(9,570)	(500)
Dividend paid	(4,346)	(28,397)	(17,945)	(13,611)
Interest paid	(1,109)	(1,443)	(1,447)	(1,169)
Others	-	-	-	-
Net cash from Fin. activities	(22,258)	(22,986)	(26,233)	(15,230)
Net change in cash	883	(265)	(1,346)	1,366
Free Cash Flow	18,880	10,310	19,112	22,137

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY21	FY22	FY23E	FY24E
Per Share(Rs)				
EPS	76.8	63.0	66.3	84.9
CEPS	85.1	71.3	75.4	95.3
BVPS	147.3	106.2	108.9	137.5
FCF	78.4	42.8	79.3	91.9
DPS	82.9	74.5	56.5	57.0
Return Ratio(%)				
RoCE	40.0	37.5	46.4	60.6
ROIC	36.1	30.8	33.5	42.3
RoE	46.6	49.7	61.6	68.9
Balance Sheet				
Net Debt : Equity (x)	0.1	0.6	0.4	0.0
Net Working Capital (Days)	1	11	2	(3)
Valuation(x)				
PER	49.1	59.9	57.0	44.5
P/B	25.6	35.6	34.7	27.5
P/CEPS	44.4	52.9	50.1	39.6
EV/EBITDA	36.4	42.0	39.2	30.9
EV/Sales	7.0	6.5	5.9	5.2
Dividend Yield (%)	2.2	2.0	1.5	1.5

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q2FY22	Q3FY22	Q4FY22	Q1FY23
Net Revenue	36,074	35,750	35,505	37,010
YoY gr. (%)	5.5	12.9	13.4	8.7
Raw Material Expenses	22,543	22,196	21,999	23,361
Gross Profit	13,531	13,554	13,506	13,648
Margin (%)	37.5	37.9	38.0	36.9
EBITDA	5,583	5,397	5,497	5,007
YoY gr. (%)	(17.3)	(11.7)	8.8	(9.6)
Margin (%)	15.5	15.1	15.5	13.5
Depreciation / Depletion	502	504	509	510
EBIT	5,082	4,893	4,988	4,498
Margin (%)	14.1	13.7	14.0	12.2
Net Interest	390	374	338	420
Other Income	534	551	538	555
Profit before Tax	5,226	5,071	5,188	4,633
Margin (%)	14.5	14.2	14.6	12.5
Total Tax	1,410	1,362	1,410	1,274
Effective tax rate (%)	27.0	26.9	27.2	27.5
Profit after Tax	3,816	3,709	3,779	3,359
Minority interest	-	-	-	-
Share Profit from Associates	2	(7)	-	-
Adjusted PAT	3,818	3,702	3,779	3,359
YoY gr. (%)	(23.0)	(18.2)	5.1	(13.2)
Margin (%)	10.6	10.4	10.6	9.1
Extra Ord. Income / (Exp)	(4)	(17)	1	(2)
Reported PAT	3,814	3,684	3,780	3,357
YoY gr. (%)	(22.6)	(18.4)	4.0	(13.9)
Margin (%)	10.6	10.3	10.6	9.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,814	3,684	3,780	3,357
Avg. Shares O/s (m)	241	241	241	241
EPS (Rs)	15.9	15.4	15.7	14.0

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Jul-22	UR	-	3,810
2	04-May-22	BUY	3,770	3,385
3	08-Apr-22	BUY	3,823	3,353
4	31-Jan-22	BUY	4,139	3,535
5	06-Jan-22	Accumulate	4,093	3,660
6	09-Nov-21	Accumulate	4,093	3,622
7	06-Oct-21	Accumulate	4,260	3,939

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	BUY	3,363	3,109
2	Avenue Supermarts	BUY	4,636	3,942
3	Britannia Industries	UR	-	3,810
4	Colgate Palmolive	Accumulate	1,701	1,564
5	Dabur India	Accumulate	603	544
6	Emami	Accumulate	611	452
7	Hindustan Unilever	Accumulate	2,699	2,568
8	ITC	Accumulate	327	308
9	Jubilant FoodWorks	BUY	700	565
10	Kansai Nerolac Paints	Accumulate	558	499
11	Marico	Accumulate	544	499
12	Mold-tek Packaging	Accumulate	830	765
13	Nestle India	Accumulate	19,721	19,112
14	Pidilite Industries	Hold	2,389	2,237
15	Restaurant Brands Asia	UR	-	111
16	Titan Company	BUY	2,520	2,014
17	Titan Company	BUY	2,520	2,128
18	Westlife Development	BUY	781	589

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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