

Britannia Industries

Volume trajectory remains the same; beat on margins

Britannia's Q4FY23 net revenue grew by 11% YoY vs our expectation of 14%. Volume growth was c.3% (four-year CAGR at 4%). BRIT continued to strengthen its market leadership, led by (1) distribution and marketing initiatives; (2) portfolio innovation; and (3) cost efficiencies. Aided by the softening RM basket and PLI benefits, GM saw a sharp expansion of 690/120bps YoY/QoQ to 44.9% (HSIE 42%)—an all-time high GM. EBITDA margin expanded by 440/40bps YoY/QoQ to 19.9% (HSIE 17.3%). EBITDA grew by 46% YoY (HSIE 27%) to INR 8bn. Adjusting for PLI benefits of INR 900mn, EBITDA and PAT were largely in line with our estimates. BRIT will continue to focus on (1) consistent product launches; (2) distribution expansion; (3) marketing campaigns; and (4) tactical pricing actions to gain market share. We value Britannia at 40x P/E on Mar-25 EPS to derive a target price of INR 4,150. Maintain REDUCE.

- Revenue up 11% YoY; pricing led growth:** Consolidated revenue grew by 11% YoY (16% in Q4FY22 and 16% in Q3FY23) vs our estimate of +14% YoY. Operating income received a boost of INR 900mn on account of PLI benefits. While the number of cases sold grew 12% YoY, volume growth is estimated to have grown c.3% YoY, reflecting a downtrading/grammage reduction impact on the business. The company continued to gain market share in the biscuits category, led by multiple initiatives in the Hindi belt and product innovation. With softening input costs, we expect the price and volume mix to reverse in FY24 and model a revenue CAGR of 9% for FY23-FY25.
- Margins continue to surprise:** Consolidated GM expanded by 690bps YoY/120bps QoQ to 44.9%—an all-time high gross margin. RM inflation has seen softening with correction seen in RPO and packing materials. Moreover, PLI benefits worth INR 900mn got bunched up in Q4. It resulted in GM bouncing back sharply. Employee/other expenses grew by 41/23% YoY. EBITDA margin expanded by 440bps YoY to 19.9% (15.5% in Q4FY22 and 19.5% in Q3FY23). EBITDA grew by 46% YoY (HSIE: 27%). BRIT will look to take necessary pricing actions to remain competitive and continue to drive market share growth. We model GM at ~42% with the EBITDA margin at ~18% for FY24/25.
- Con call and BS/CF takeaways:** (1) Number of packs sold grew by 12% in Q4FY23. (2) Continue to gain market share. The rural market share is 1.4x its all-India average. (3) Other operating income includes INR 900mn of PLI benefits. Going ahead, the quarterly run-rate will be INR150-200mn. (4) Competitive intensity is high compared to the last 2-3 years (nothing extraordinary). Will defend market share through pricing action. (5) Weighted average distribution has reached in line with the market leader at 91%. (6) To incur a capex of INR 5-6bn in FY24. Will moderate thereafter. (7) In FY23, FCF stood at INR 18.9bn vs INR 7.5bn YoY.

Quarterly/annual financial summary

YE Mar (INR mn)	Q4FY23	Q4FY22	YoY (%)	Q3FY22	QoQ (%)	FY22	FY23	FY24E	FY25E
Net Sales	40,232	35,505	13.3	41,968	(4.1)	1,41,363	1,63,006	1,77,508	1,94,076
EBITDA	8,009	5,497	45.7	8,176	(2.0)	22,015	28,309	31,918	34,897
APAT	5,576	3,780	47.5	9,324	(40.2)	15,152	20,354	22,726	25,158
Diluted EPS (Rs)	23.1	15.7	47.3	27.1	(14.5)	62.9	84.5	94.3	104.4
P/E (x)						73.6	54.8	49.1	44.3
EV / EBITDA (x)						50.6	39.2	34.6	31.4
RoCE (%)						49.6	57.3	70.9	77.6

Source: Company, HSIE Research

REDUCE

CMP (as on 5 May 2023)	INR 4,626
Target Price	INR 4,150
NIFTY	18,069

KEY CHANGES	OLD	NEW
Rating	REDUCE	REDUCE
Price Target	INR 4,150	INR 4,150
	FY24E	FY25E
EPS %	0%	0%

KEY STOCK DATA

Bloomberg code	BRIT IN
No. of Shares (mn)	241
MCap (INR bn) / (\$ mn)	1,114/13,625
6m avg traded value (INR mn)	1,459
52 Week high / low	INR 4,680/3,156

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.1)	21.6	41.2
Relative (%)	(0.4)	21.4	31.6

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	50.55	50.55
FIs & Local MFs	15.21	14.35
FPIs	18.46	19.44
Public & Others	15.78	15.66
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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