

May 5, 2023

Q4FY23 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	4,800		4,580	
Sales (Rs. m)	1,82,404	2,03,597	1,83,879	2,05,272
% Chng.	(0.8)	(0.8)		
EBITDA (Rs. m)	34,352	37,693	32,713	36,882
% Chng.	5.0	2.2		
EPS (Rs.)	98.0	106.5	91.9	105.1
% Chng.	6.7	1.3		

Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,41,363	1,63,006	1,82,404	2,03,597
EBITDA (Rs. m)	22,015	28,309	34,352	37,693
Margin (%)	15.6	17.4	18.8	18.5
PAT (Rs. m)	15,170	19,407	23,603	25,645
EPS (Rs.)	63.0	80.6	98.0	106.5
Gr. (%)	(18.1)	27.9	21.6	8.7
DPS (Rs.)	74.5	72.0	70.0	80.0
Yield (%)	1.6	1.6	1.5	1.7
RoE (%)	49.7	63.7	67.4	67.6
RoCE (%)	37.5	45.2	47.9	54.2
EV/Sales (x)	8.0	6.9	6.2	5.5
EV/EBITDA (x)	51.3	39.7	32.8	29.6
PE (x)	73.5	57.4	47.2	43.5
P/BV (x)	43.6	31.5	32.2	27.1

Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.4,680 / Rs.3,156
Sensex / Nifty	61,054 / 18,069
Market Cap	Rs.1,114bn/ \$ 13,622m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.1247.44m

Shareholding Pattern (%)

Promoter's	50.55
Foreign	19.44
Domestic Institution	14.35
Public & Others	15.66
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	6.9	21.6	41.2
Relative	4.5	21.4	28.8

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Positive outlook, but margins near peak levels

Quick Pointers:

- FY24 Gross Margins to range between 40-42%, 4Q and FY23 margins were boosted by PLI gains of 230bps and ~95bps
- Innovations continue to scale up by 20-50% QoQ with new regions added

We increase our FY24/FY25 EPS estimates by 6.7%/1.3% on account of higher margins led by 1) PLI led incentive gains of 40bps in other operating income 2) stabilizing RM basket and 3) price hikes taken to mitigate inflation. BRIT continues to increase distribution and gain share in core Biscuits & Bakery segment and scale adjacencies & innovations like Nutrigochoice Herbs, Cakes, Croissants, Milkshakes and Milk Bikis etc with sales scaling up 20-50% QoQ. We expect benign input cost scenario with Palm oil (down 44% from peak), wheat procurement at near MSP prices for FY24 despite firm outlook for prices of liquid milk and sugar. We believe EBITDA margins are near peak as BRIT will increase promotions/grammage to ward off competition and impact of PLI incentives goes down in FY24 (Rs700mn v/s Rs1.35bn in FY23).

BRIT's long term growth drivers are intact with 1) 28k rural preferred dealers (26k in 4Q22) 2) rising share of MT sales with improved mix 3) higher growth in focus states 4) cost efficiency gains in manufacturing, distribution and procurement 5) sustained innovation program and 6) Rs11-12bn capex over FY23 and FY24. We estimate 11.8%/15.0% sales and PAT CAGR over FY23-25. We roll over to 45x Mar25EPS and assign a target price of Rs4,800 (Rs4,580 earlier). Retain Hold.

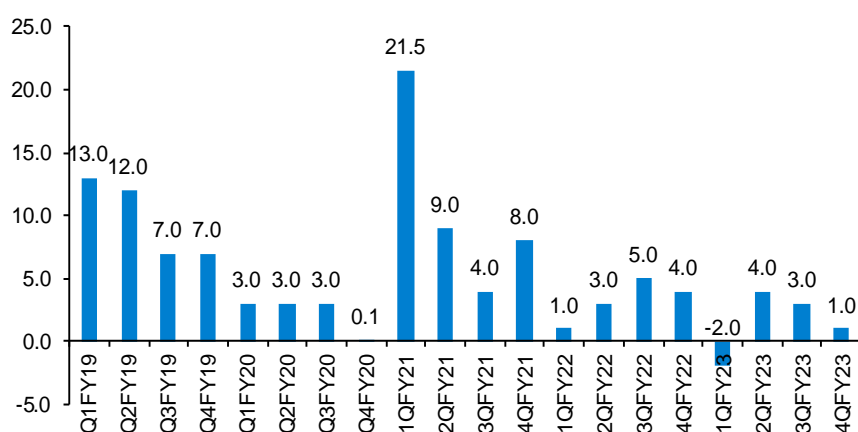
Concall Takeaways: 1) No substantial change in competitive intensity. However, cakes and rusks are categories where higher intensity prevails 2) Non biscuits portfolio growth at 1.5x 3) Cake, rusks, dairy and breads are between Rs6-7bn each while International/Croissants are at Rs 7-8/1bn 4) Innovation contribution at 10%+; NPd at 3-3.5% 5) Taken some price increases to mitigate inflation 6) GM's to be in the range of 40-42% 7) Products reach 91% of outlets on weighted distribution basis 8) Look to create a balance between revenues, volumes & market share 9) Expect Rs150-200mn of PLI incentives on quarterly basis from FY24 10) Winking Cow is now a Rs1.5bn brand 11) Dairy business growth to be supported by increase in milk collection to 200k LPD 12) Milk continues to see significant inflation (+20% QoQ/+54% YoY) 13) Increased distribution in milkshakes by 2x vs last year 14) Capex of Rs5-6bn towards new facilities

Low-single digit volume growth: Consolidated Revenues grew by 13.3% YoY to Rs40.2bn. Gross margins expanded by 688bps YoY/127bps QoQ to 44.9%. EBITDA grew by 45.7% YoY to Rs8bn; Margins expanded by 442bps YoY/43bps QoQ to 19.9%. PBT grew by 45.9% YoY to Rs 7.6bn. Adjusted PAT grew by 46.5% YoY to Rs5.5bn. Imputed Subsidiary Sales declined by 7.8% YoY to Rs1.9bn; PAT grew by 13% YoY to 161.4mn. Standalone Revenues grew by 16.7% YoY to Rs38.9bn. EBITDA grew by 52.2% YoY to Rs7.9bn with margin expansion of 476bps YoY/71bps QoQ to 20.4%. PAT grew by 51.2% YoY to Rs 5.6bn.

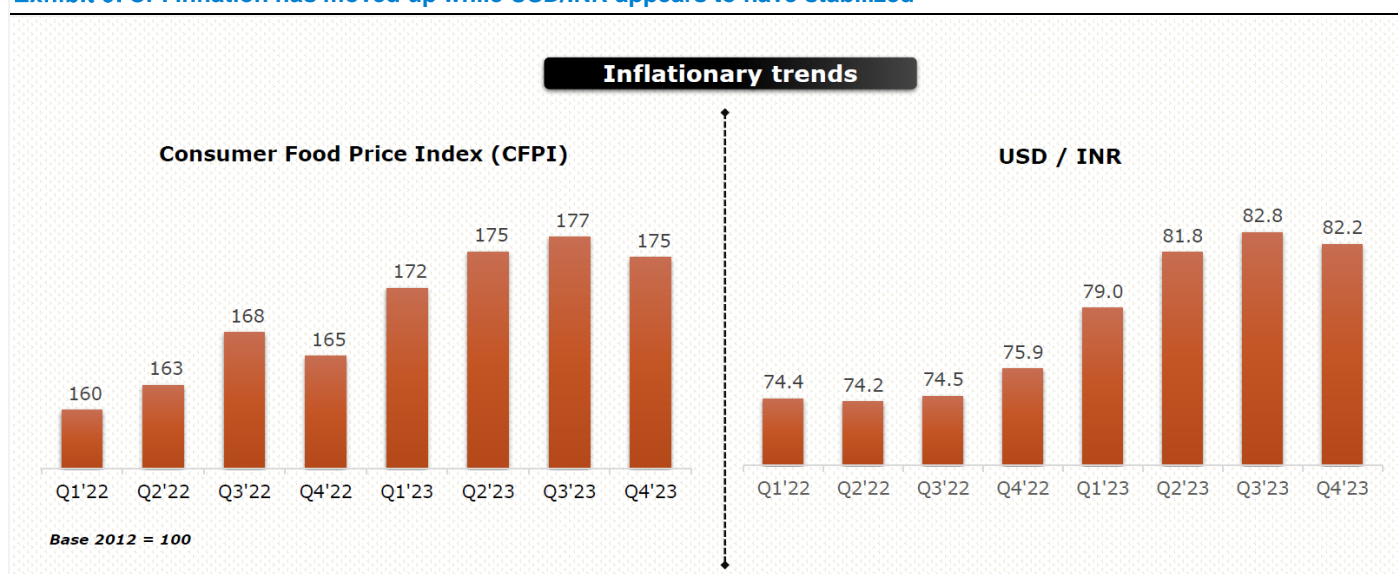
Exhibit 1: 4QFY23 Consolidated Results: Sales up 13.3%, Margins expanded by 442bps/43bps YoY/QuQ

Y/e March (Rs m)	4QFY23	4QFY22	YoY gr. (%)	3QFY23	FY23	FY22	YoY gr. (%)
Net Sales	40,232	35,505	13.3	41,968	163,006	141,363	15.3
Gross Profit	18,073	13,506	33.8	18,321	67,093	53,760	24.8
<i>Margins (%)</i>	<i>44.9</i>	<i>38.0</i>	<i>6.9</i>	<i>43.7</i>	<i>41.2</i>	<i>38.0</i>	<i>3.1</i>
Other Expenses	10,064	8,009	25.7	10,145	38,783	31,745	22.2
<i>% of Sales</i>	<i>25.0</i>	<i>22.6</i>	<i>2.5</i>	<i>24.2</i>	<i>23.8</i>	<i>22.5</i>	<i>1.3</i>
EBITDA	8,009	5,497	45.7	8,176	28,309	22,015	28.6
<i>Margins (%)</i>	<i>19.9</i>	<i>15.5</i>	<i>4.4</i>	<i>19.5</i>	<i>17.4</i>	<i>15.6</i>	<i>1.8</i>
Depreciation	653	509	28.3	580	2,259	2,005	12.7
Interest	349	338	3.3	381	1,691	1,443	17.2
Other Income	564	538	4.7	508	2,159	2,228	(3.1)
PBT	7,571	5,188	45.9	7,722	26,518	20,795	27.5
Tax	2,035	1,410	44.4	2,169	7,165	5,624	27.4
<i>Tax Rate (%)</i>	<i>26.9</i>	<i>27.2</i>	<i>-0.3</i>	<i>28.1</i>	<i>27.0</i>	<i>27.0</i>	<i>0.0</i>
Adjusted PAT	5,536	3,779	46.5	5,553	19,353	15,172	27.6

Source: Company, PL

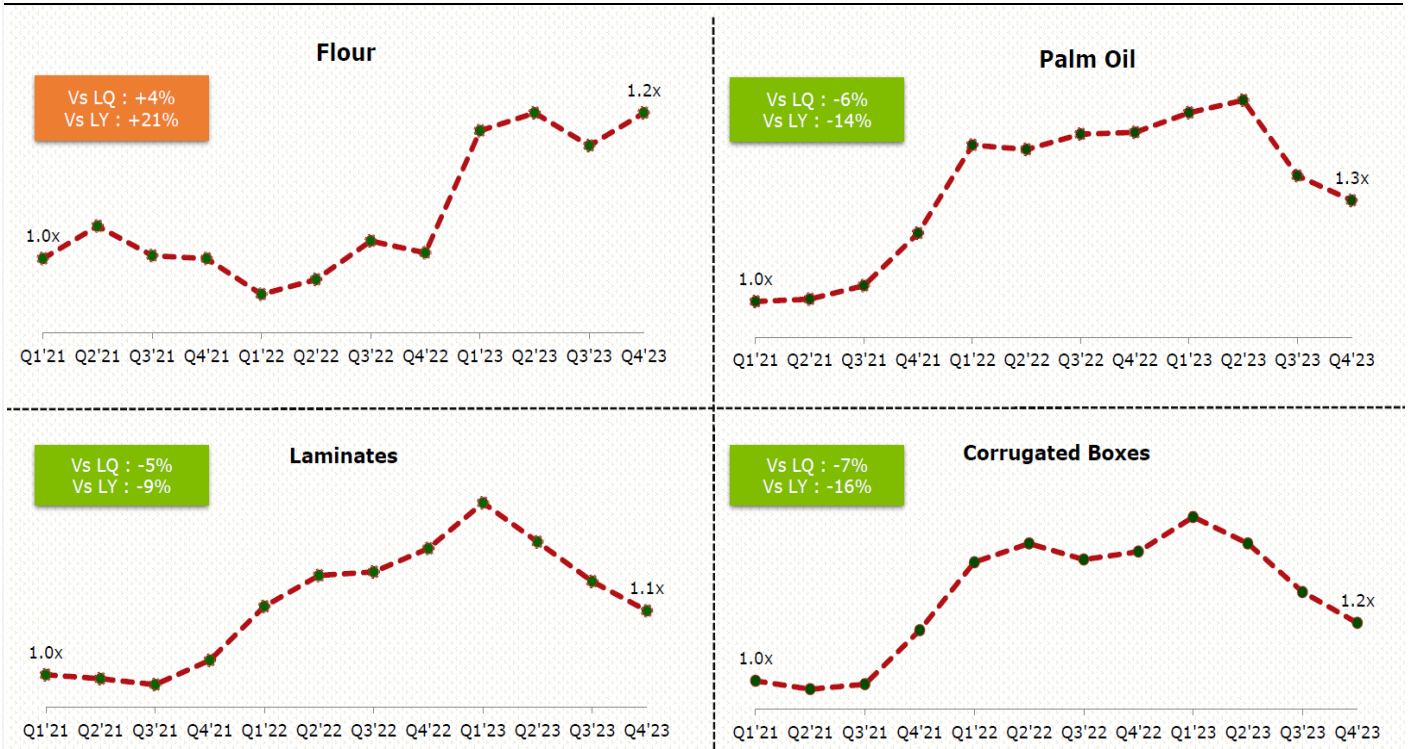
Exhibit 2: Volumes grow 1% YoY; grows 3.2% on 4-year CAGR


Source: Company, PL

Exhibit 3: CPI inflation has moved up while USD/INR appears to have stabilized


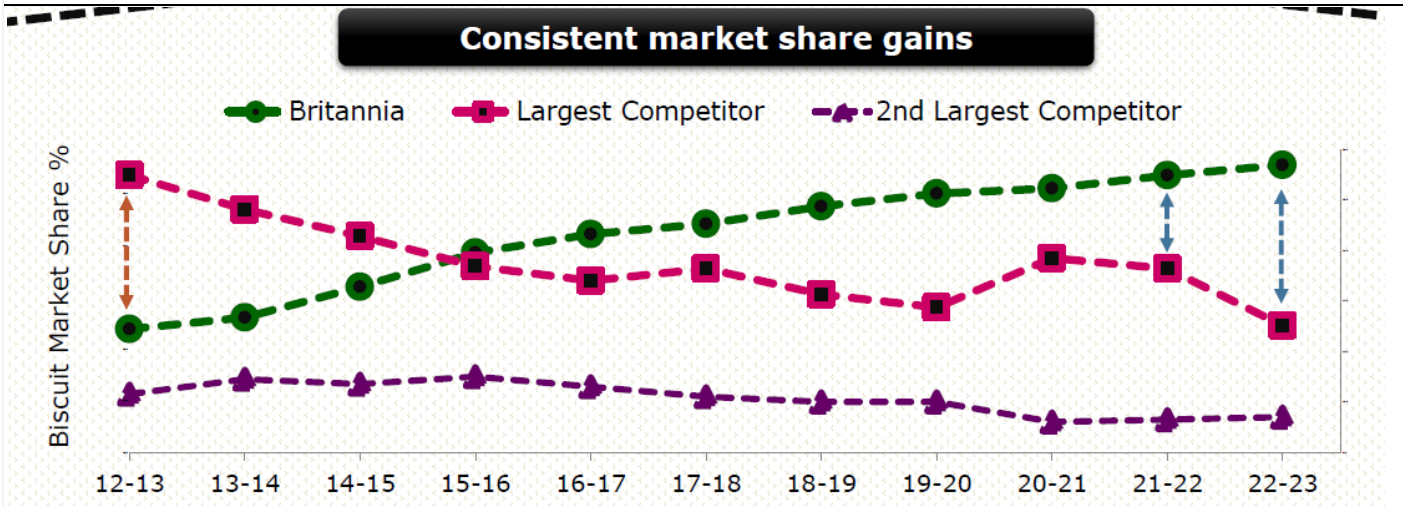
Source: Company, PL

Exhibit 4: Inflation has largely moderated for 60% of RM basket



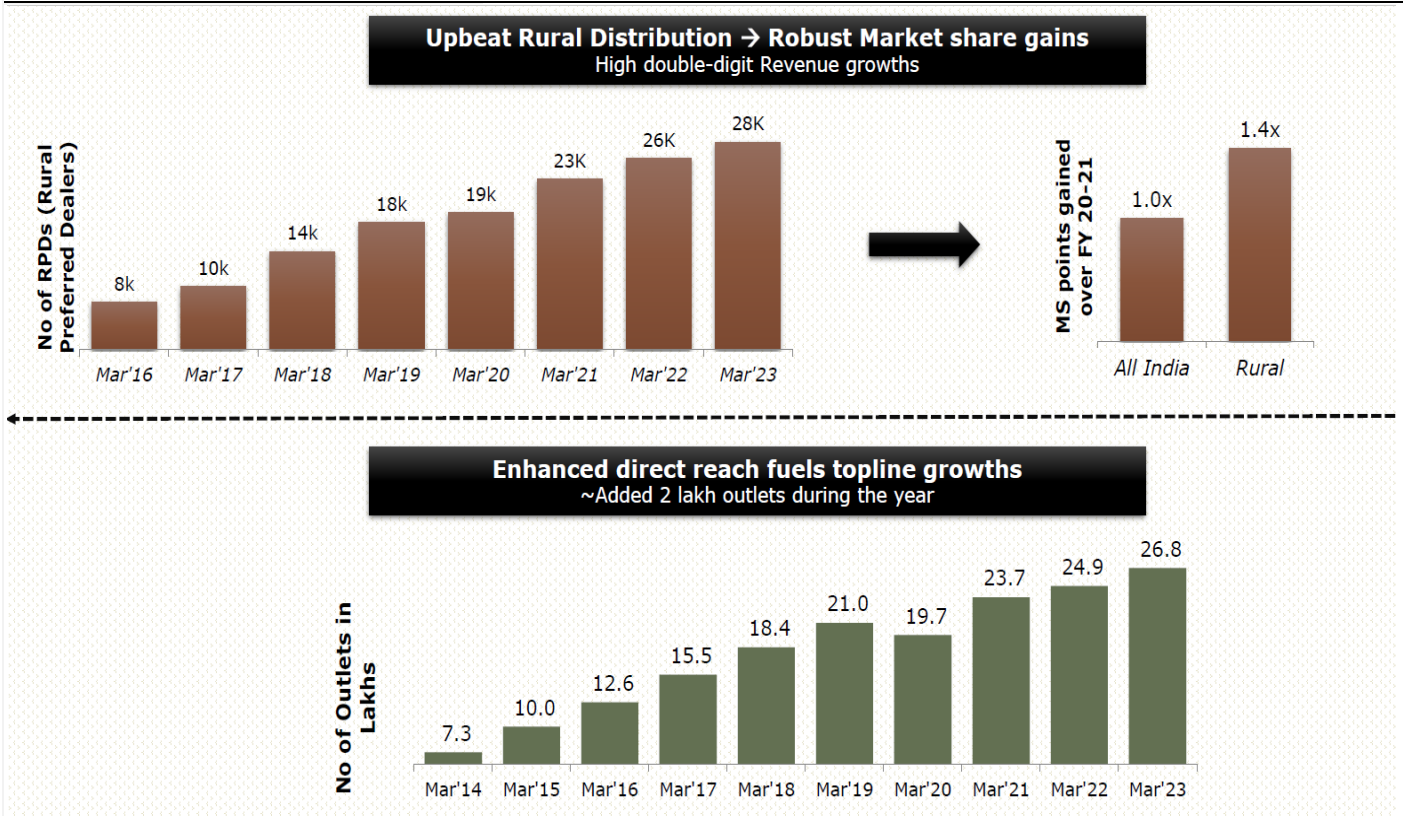
Source: Company, PL

Exhibit 5: BRIT continues to gain market share



Source: Company, PL

Exhibit 6: Rural preferred dealers up at 28k, direct reach also inching up gradually




Source: Company, PL


Exhibit 7: Innovations continue to witness exponential growth; New launches undertaken in dairy

Bakery


Biscuits – Focused scale-up drives



50-50 Golmaal
Extension to South & West
40% sequential shift QoQ




NC Seeds & Herbs
Focused in Organized Channel
50% sequential shift QoQ



Milk Bikis Classic
Focused TG, driven on nostalgia
20% sequential shift QoQ


Croissant



Croissant Orange
New variant addition

Dairy


Leveraging Summer with wide range of Drinks – Rich Milk Shakes & Coconut water launched in this quarter



Rich Milk Shakes
Launched in Q4



Transition to **PET bottles**
Upgrade consumer experience



Coconut water
Launched in Q4

Winkin Cow – Rs 150 Crores Brand

Milk Shakes sourced from our new factory

Distribution reach – 2x shift over LY

Innovation contribution at >10%

Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Net Revenues	1,41,363	1,63,006	1,82,404	2,03,597
YoY gr. (%)	7.6	15.3	11.9	11.6
Cost of Goods Sold	87,603	95,913	1,05,491	1,18,108
Gross Profit	53,760	67,093	76,913	85,489
Margin (%)	38.0	41.2	42.2	42.0
Employee Cost	5,423	6,584	7,296	8,144
Other Expenses	557	32,200	620	672
EBITDA	22,015	28,309	34,352	37,693
YoY gr. (%)	(12.3)	28.6	21.3	9.7
Margin (%)	15.6	17.4	18.8	18.5
Depreciation and Amortization	2,005	2,259	3,097	3,207
EBIT	20,010	26,050	31,254	34,486
Margin (%)	14.2	16.0	17.1	16.9
Net Interest	1,443	1,691	2,325	2,113
Other Income	2,228	2,159	2,798	2,609
Profit Before Tax	20,795	26,518	31,727	34,982
Margin (%)	14.7	16.3	17.4	17.2
Total Tax	5,624	7,165	8,124	9,337
Effective tax rate (%)	27.0	27.0	25.6	26.7
Profit after tax	15,172	19,353	23,603	25,645
Minority interest	-	-	-	-
Share Profit from Associate	(2)	54	-	-
Adjusted PAT	15,170	19,407	23,603	25,645
YoY gr. (%)	(18.1)	27.9	21.6	8.7
Margin (%)	10.7	11.9	12.9	12.6
Extra Ord. Income / (Exp)	(10)	3,756	-	-
Reported PAT	15,160	23,163	23,603	25,645
YoY gr. (%)	(18.1)	52.8	1.9	8.7
Margin (%)	10.7	14.2	12.9	12.6
Other Comprehensive Income	63	-	-	-
Total Comprehensive Income	15,223	23,163	23,603	25,645
Equity Shares O/s (m)	241	241	241	241
EPS (Rs)	63.0	80.6	98.0	106.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
Non-Current Assets				
Gross Block	29,483	41,044	46,712	48,386
Tangibles	27,670	39,369	44,977	46,590
Intangibles	1,813	1,675	1,735	1,795
Acc: Dep / Amortization	11,951	14,492	17,589	20,796
Tangibles	11,690	14,241	17,329	20,527
Intangibles	261	251	260	269
Net fixed assets	17,532	26,552	29,123	27,589
Tangibles	15,980	25,128	27,648	26,063
Intangibles	1,552	1,424	1,475	1,526
Capital Work In Progress	5,357	1,050	550	650
Goodwill	-	-	-	-
Non-Current Investments	10,604	16,968	17,112	17,147
Net Deferred tax assets	509	554	581	611
Other Non-Current Assets	1,441	922	1,718	1,888
Current Assets				
Investments	8,337	18,010	12,768	12,216
Inventories	13,675	11,933	12,139	13,591
Trade receivables	3,319	3,289	3,699	4,131
Cash & Bank Balance	1,849	1,980	6,757	6,555
Other Current Assets	1,382	1,807	1,642	1,832
Total Assets	75,274	93,527	95,862	96,226
Equity				
Equity Share Capital	241	241	241	241
Other Equity	25,340	35,102	34,406	40,948
Total Networkth	25,581	35,343	34,647	41,188
Non-Current Liabilities				
Long Term borrowings	7,070	15,518	17,098	7,113
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	17,586	14,287	13,608	13,608
Trade payables	13,228	14,488	16,985	19,647
Other current liabilities	10,863	12,825	12,320	13,381
Total Equity & Liabilities	75,274	93,527	95,862	96,226

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	20,795	28,432	31,727	34,982
Add. Depreciation	2,320	2,541	3,097	3,207
Add. Interest	1,443	1,962	2,325	2,113
Less Financial Other Income	2,228	2,159	2,798	2,609
Add. Other	(2,597)	(2,568)	(3,691)	(2,762)
Op. profit before WC changes	21,961	30,367	33,459	37,541
Net Changes-WC	85	5,710	2,231	1,407
Direct tax	(5,624)	(7,236)	(8,124)	(9,337)
Net cash from Op. activities	16,423	28,842	27,566	29,611
Capital expenditures	(6,113)	(12,185)	(5,168)	(1,774)
Interest / Dividend Income	2,228	2,706	2,798	2,609
Others	10,183	(10,688)	5,242	552
Net Cash from Inv. activities	6,299	(20,167)	2,872	1,388
Issue of share cap. / premium	3,241	6,537	(6,891)	(2,239)
Debt changes	3,612	5,150	900	(9,985)
Dividend paid	(28,397)	(17,945)	(17,345)	(16,863)
Interest paid	(1,443)	(1,962)	(2,325)	(2,113)
Others	-	-	-	-
Net cash from Fin. activities	(22,986)	(8,220)	(25,661)	(31,201)
Net change in cash	(265)	455	4,777	(202)
Free Cash Flow	10,310	16,657	22,398	27,837

Source: Company Data, PL Research

Key Financial Metrics

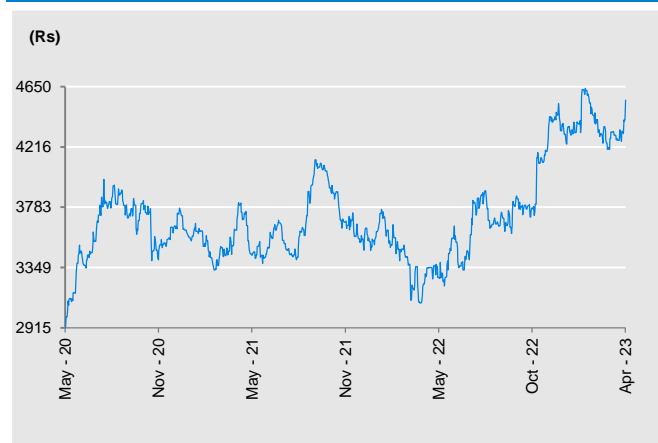
Y/e Mar	FY22	FY23	FY24E	FY25E
Per Share(Rs)				
EPS	63.0	80.6	98.0	106.5
CEPS	71.3	89.9	110.8	119.8
BVPS	106.2	146.7	143.8	171.0
FCF	42.8	69.1	93.0	115.6
DPS	74.5	72.0	70.0	80.0
Return Ratio(%)				
RoCE	37.5	45.2	47.9	54.2
ROIC	30.7	35.4	40.9	44.5
RoE	49.7	63.7	67.4	67.6
Balance Sheet				
Net Debt : Equity (x)	0.6	0.3	0.3	0.0
Net Working Capital (Days)	10	2	(2)	(3)
Valuation(x)				
PER	73.5	57.4	47.2	43.5
P/B	43.6	31.5	32.2	27.1
P/CEPS	64.9	51.4	41.7	38.6
EV/EBITDA	51.3	39.7	32.8	29.6
EV/Sales	8.0	6.9	6.2	5.5
Dividend Yield (%)	1.6	1.6	1.5	1.7

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
Net Revenue	37,010	43,796	41,968	40,232
YoY gr. (%)	8.7	21.4	17.4	13.3
Raw Material Expenses	23,361	26,746	23,647	22,159
Gross Profit	13,648	17,050	18,321	18,073
Margin (%)	36.9	38.9	43.7	44.9
EBITDA	5,007	7,117	8,176	8,009
YoY gr. (%)	(9.6)	27.5	51.5	45.7
Margin (%)	13.5	16.3	19.5	19.9
Depreciation / Depletion	510	517	580	653
EBIT	4,498	6,600	7,596	7,356
Margin (%)	12.2	15.1	18.1	18.3
Net Interest	420	541	381	349
Other Income	555	532	508	564
Profit before Tax	4,633	6,591	7,722	7,571
Margin (%)	12.5	15.1	18.4	18.8
Total Tax	1,274	1,686	2,169	2,035
Effective tax rate (%)	27.5	25.6	28.1	26.9
Profit after Tax	3,359	4,905	5,553	5,536
Minority interest	-	-	-	-
Share Profit from Associates	(2)	1	15	40
Adjusted PAT	3,357	4,906	5,568	5,576
YoY gr. (%)	(13.2)	28.5	50.4	47.6
Margin (%)	9.1	11.2	13.3	13.9
Extra Ord. Income / (Exp)	76	52	3,801	-
Reported PAT	3,434	4,958	9,369	5,576
YoY gr. (%)	(11.9)	30.0	154.3	47.5
Margin (%)	9.3	11.3	22.3	13.9
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	3,434	4,958	9,369	5,576
Avg. Shares O/s (m)	241	241	241	241
EPS (Rs)	14.0	20.4	23.2	23.2

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	Hold	4,580	4,258
2	02-Feb-23	Hold	4,580	4,573
3	06-Jan-23	Hold	4,297	4,359
4	07-Nov-22	Hold	4,142	3,804
5	04-Oct-22	Hold	4,026	3,769
6	05-Aug-22	Hold	3,880	3,775
7	07-Jul-22	UR	-	3,810

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,150	2,776
2	Avenue Supermarts	BUY	4,561	3,451
3	Britannia Industries	Hold	4,580	4,258
4	Colgate Palmolive	Hold	1,565	1,537
5	Dabur India	Accumulate	590	530
6	Emami	Accumulate	485	359
7	Hindustan Unilever	Accumulate	2,785	2,469
8	ITC	Accumulate	444	389
9	Jubilant FoodWorks	BUY	500	426
10	Kansai Nerolac Paints	Accumulate	485	386
11	Marico	Hold	523	481
12	Mold-tek Packaging	Hold	968	1,001
13	Nestle India	Accumulate	22,600	20,670
14	Pidilite Industries	Hold	2,500	2,359
15	Restaurant Brands Asia	Accumulate	121	94
16	Titan Company	BUY	2,992	2,651
17	Westlife Foodworld	BUY	806	728

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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