BUY

Britannia Industries

AR analysis: Execution focus on attaining 'Total Foods Co.' goal

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Consumer Goods ▸ Company Update ▸ **August 6, 2023**

TARGET PRICE (Rs): 5,550

Britannia's FY23 Annual Report showcases its 10-year journey under Varun Berry, with Company seeing 10% sales CAGR which, bolstered by strategic actions for controlling costs, has aided a 21% earnings CAGR. Amid accelerated packaged-food adoption, Britannia has enhanced capex thrust (which, albeit, has a bearing on asset turns; but we see positive effect on Company margin and competitive positioning). Exposure to promoter group company so far has been limited. Post the weaker-than-expected Q1FY24 results (sales/earnings growth at 8%/36% was 4%/3% below our estimate), we revise down our earnings estimates by 2-3%. Q1FY24 results suggest Management thrust on building margin over volume. We now see FY23-26E sales/EPS CAGR at 10%/15%, respectively. We retain BUY, with new Jun-24E TP of Rs5,550, on 50x PER.

Britannia Industries: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	1,41,363	1,63,006	1,77,863	1,96,969	2,17,986
EBITDA	22,015	28,309	31,933	36,895	41,746
Adj. PAT	15,258	19,462	21,879	25,741	29,751
Adj. EPS (Rs)	63.3	80.8	90.8	106.9	123.5
EBITDA margin (%)	15.6	17.4	18.0	18.7	19.2
EBITDA growth (%)	(12.3)	28.6	12.8	15.5	13.1
Adj. EPS growth (%)	(18.2)	27.5	12.4	17.7	15.6
RoE (%)	50.0	63.9	62.2	68.3	69.9
RoIC (%)	57.5	70.7	68.6	73.5	83.4
P/E (x)	75.8	59.4	52.9	44.9	38.9
EV/EBITDA (x)	52.8	40.7	36.2	31.3	27.5
P/B (x)	45.2	32.7	33.0	28.7	25.8
FCFF yield (%)	0.6	1.6	1.4	2.0	2.4

Source: Company, Emkay Research

Britannia's FY23 Annual Report showcases Varun Berry's Britannia journey

Company's FY23 Annual Report (AR) displays Varun Berry's journey over FY13-23, at the helm of Britannia operations. With Mr. Berry taking charge of the company in Jan-2013, key targets laid out were: a) market-share gains in the core; b) to drive margin profile; and c) to transform Britannia into a 'Total Foods Company'. Of these three, the first two goals are seeing been healthy achievement. Company's chief achievements in the last decade: i) direct reach expansion by 4x, rural distribution up 7x; ii) enhanced innovation funnel; iii) shift in in-house production, from 35% to 65%; iv) cost efficiencies across heads; v) tech integration across processes; and vi) strong sustainability initiatives.

Actions in place to drive growth and margin; near-term focus on building margin

We estimate FY23-26E sales/earnings CAGR of 10%/15%. With strategic actions now in place, we see a high single-digit growth in core business. Adjacencies, comprising ~23% of FY23 revenue, would see mid-teen growth ahead. While accelerated growth in adjacencies is margin-dilutive, we see overall margin expansion at this stage backed by strategic actions such as: a) mix improvement with innovation; b) opex to capex strategy aiding cost efficiency; c) efficiency in logistics; d) reduction in wastage and change in return policy; e) fiscal incentives. Q1FY24 results showcase the near-term thrust on building margin which led to topline miss of 4% on our estimates, but EBITDA came in line. Higher than expected interest and lower other income drove the ~3% earnings miss.

Structural prospects and strong execution to aid valuations; maintain BUY

Overall, we see relatively better growth in the foods and beverages segments, where consumer adoption for packed-food has heightened since Covid-19. Britannia's actions to become a 'Total Foods Company' is well timed, as demand and regulatory actions (fiscal incentive and PLI) are supportive. From the related-party perspective, the company has ICDs worth Rs7.1bn with promoter group companies, where it was logging negligible transactions with Go Airlines. As we cut our earnings expectations by 2-3%, our Jun-24E TP reduces to Rs5,550/share (vs Rs5,700 earlier), based on 50x PER.

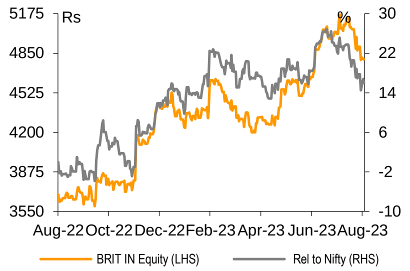
Target Price – 12M	Jun-24
Change in TP (%)	**NA**
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	15.6
CMP (04-Aug-23) (Rs)	4,802.6

Stock Data	**Ticker**
52-week High (Rs)	5,270
52-week Low (Rs)	3,555
Shares outstanding (mn)	240.9
Market-cap (Rs bn)	1,157
Market-cap (USD mn)	13,964
Net-debt, FY24E (Rs mn)	106
ADTV-3M (mn shares)	-
ADTV-3M (Rs mn)	1,786.4
ADTV-3M (USD mn)	21.6
Free float (%)	49.5
Nifty-50	19,517
INR/USD	82.8
Shareholding, Jun-23	
Promoters (%)	50.6
FPIs/MFs (%)	21.3/12.6

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	(4.1)	4.7	27.2
Rel. to Nifty	(4.8)	(2.1)	13.3

1-Year share price trend (Rs)



Nitin Gupta
nitin.gupta@emkayglobal.com
+91 22 6612 1257

Geared for growth in core, and to scale-up adjacencies

Britannia maintains its differentiated edge over competition, with continued innovation across the portfolio. We see a relative edge to competition, given shift in production in-house, where manufacturing facilities are superior compared with contract-manufacturer-sourced competition. The company has undertaken actions across categories which is likely to fructify on recovery in rural demand outlook. We see 10% revenue CAGR over FY23-26E.

In FY23, its Bel Foods JV clocked net profit of Rs239.9mn

Its Croissants JV under Brit Chip reported net loss of Rs95.3mn in FY23

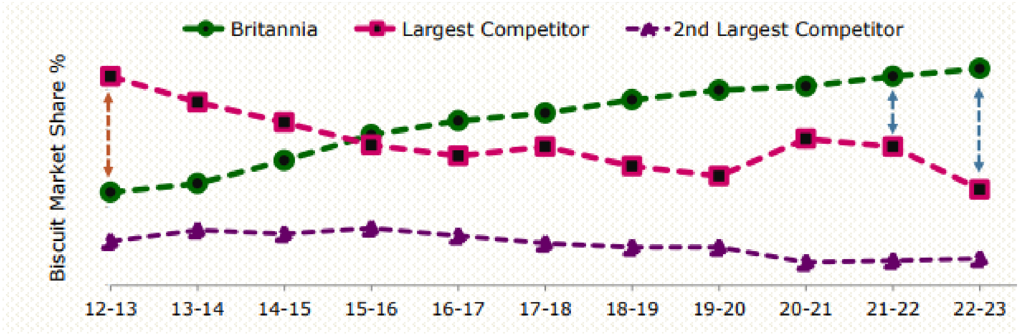
Exhibit 1: Key business updates

Biscuits	
-	Continue to drive penetration for large and powerful brands
-	Launch and scale-up new, unconventional experiences like *BisCafe*, *50 50 Potazos* and variants in *NutriChoice*
-	Leveraging digital medium aggressively to remain connected with consumer base
Cake	
-	Growth in the Cake category has revived post Covid-19
-	Innovation continues to be driven by value-based offerings at affordable price-points
-	Penetration and per-capita consumption remain low; stays a significant opportunity
Rusk	
-	Growth slowed after accelerating during Covid-19
-	In-house production shift under way
-	Category saw significant impact of inflation
-	Upgraded its manufacturing capability to continue offering superior taste and quality products at competitive prices to consumers
Bread	
-	Consumer preference for healthy and value added products; presents a significant opportunity
-	Increased its share in the healthier bread portfolio this year and has added many innovative products to the portfolio such as *Olive Sub* and *Panini*
-	Distribution is the focus area where it is spending on infra and maintains strong position in emerging channels
Dairy	
-	Organized segment; comprises ~1/3rd of the market and is growing at an accelerated pace
-	Demand for value-added products will keep prospects bright
-	Entered into a Joint Venture arrangement with Bel SA, to undertake the development, manufacturing, marketing, distribution, trading and selling, etc of cheese products in India and in some other countries
-	Launched premium range of products under the *Winkin' Cow* brand and invested in aseptic PET drinks technology
-	Incubated 'fresh business' through the launch of multiple products, viz. Probiotic Dahi, Paneer and Fresh Lassi
-	Entered the 'non-dairy beverages' business with the launch of *ComeAlive Refresh* 100% Coconut Water
Wafers	
-	One of the fastest growing categories for the company
-	Highly unorganized & fragmented category with market size of Rs9bn and healthy annual growth
-	Looking to leverage the space with strong brand, innovation and national presence
Center-filled croissants	
-	Consumption patterns are changing owing to lifestyle changes, as people are being exposed to global foods and seeking more convenient packaged food options
-	Momentum continue to be built, as the company expands its geographical and trade presence
Salted snacks	
-	Savory snacking is integral to Indian food habits
-	Delightful sensorial experience involving flavor, texture, shapes/formats, color and mouthfeel drives consumption in this large category
-	Changing consumer preferences, from unorganized or local to branded products, provide a significant opportunity for growth in this category for national players
-	It is anticipated that snacks with the health & wellness promise will grow faster in the post-Covid-19 environment
-	Focus on differentiated products at a competitive price

Source: Company, Emkay Research

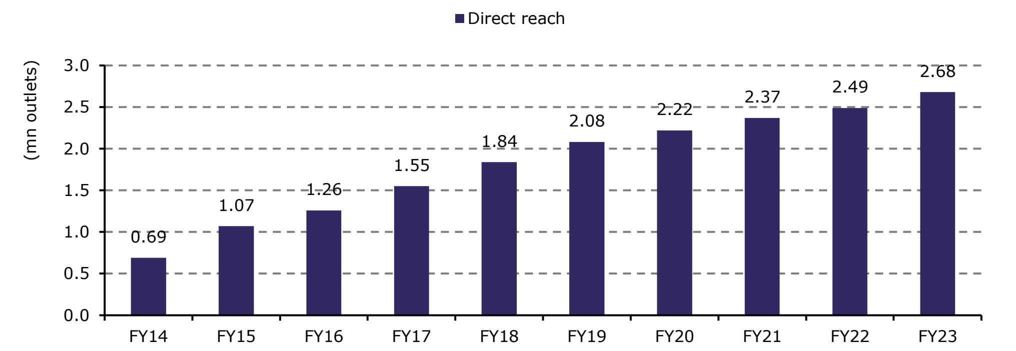
Britannia has been gaining market share for 40 consecutive quarters now and boasts of a high market share since 15 years

Exhibit 2: Biscuits category — Market share



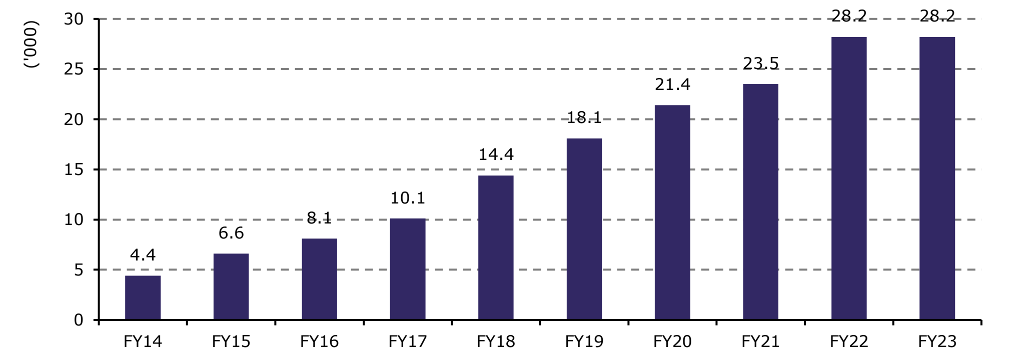
Source: Company

Exhibit 3: Direct outlet coverage



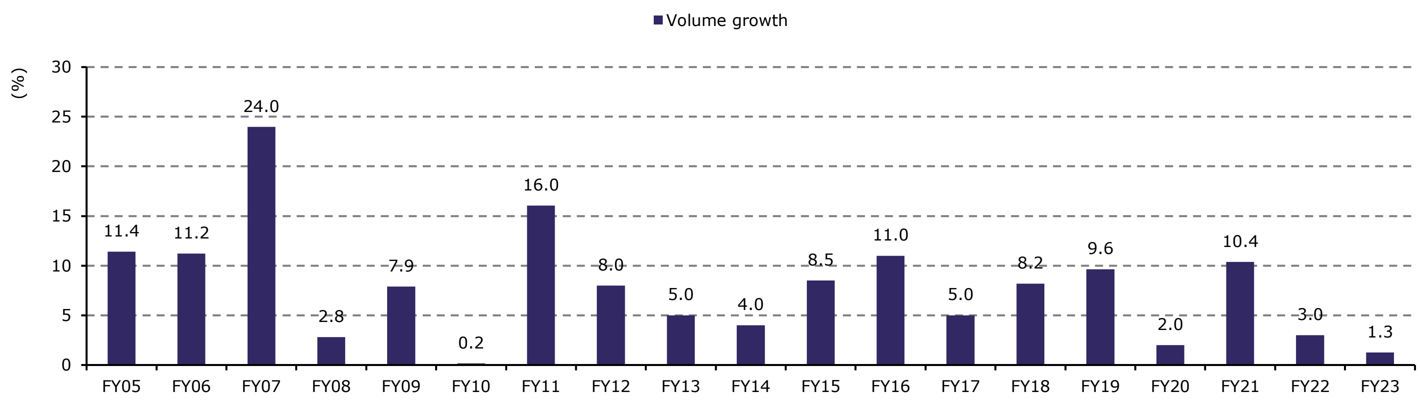
Source: Company, Emkay Research

Exhibit 4: Rural distributor



Source: Company, Emkay Research

Exhibit 5: Britannia Industries — Annual volume growth trend



Source: Company, Emkay Research

Strategic actions reflect in margin growth

We believe that being a foods player, the company has put up a good show, given its current margin at ~18%. Incrementally, we see margin expansion to be gradual (post recovery from normalization in raw-material costs), benefitting from premiumization in the core business; also, efficiency benefits continue to accrue based on the strategic actions undertaken by the company.

Exhibit 6: Gross margin to EBITDA margin progression over FY14-23

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	bps Change
Gross margin	**37.9%**	**39.9%**	**40.5%**	**42.7%**	**38.6%**	**38.7%**	**40.9%**	**40.8%**	**42.8%**	**38.6%**	**42.0%**	**410 bps**
Manufacturing Expenses	**2.3%**	2.5%	2.3%	1.8%	1.9%	2.1%	2.6%	2.4%	2.2%	2.7%	**2.6%**	30 bps
Conversion costs	**6.8%**	6.6%	6.3%	5.5%	4.9%	4.2%	4.7%	4.4%	4.4%	4.6%	**4.7%**	(210 bps)
Carriage freight and distribution	**5.7%**	5.7%	5.5%	5.0%	5.0%	4.9%	5.0%	5.2%	5.1%	4.9%	**4.3%**	(140 bps)
A&P spends^	**8.7%**	8.8%	8.4%	5.2%	4.3%	4.2%	4.6%	4.2%	3.5%	3.0%	**4.2%**	(450 bps)
Employee spends	**3.7%**	3.8%	3.6%	3.9%	3.9%	4.1%	4.0%	4.3%	4.1%	3.9%	**4.1%**	40 bps
Other Expenses	**3.8%**	3.5%	3.6%	4.1%	4.3%	4.0%	4.3%	4.2%	4.0%	3.8%	**4.3%**	50 bps
EBITDA margin	**6.9%**	**8.9%**	**10.9%**	**12.6%**	**14.2%**	**15.3%**	**15.8%**	**16.1%**	**19.5%**	**15.8%**	**17.7%**	**1090 bps**

Source: Company, Emkay Research
^Note: Effective FY16, as per IndAS accounting, promotion spends have started adjusting with the top-line. After promotion spends taking effect, A&P spends have reduced by 60bps in the last decade

Trade promotions have been ~4% for Britannia

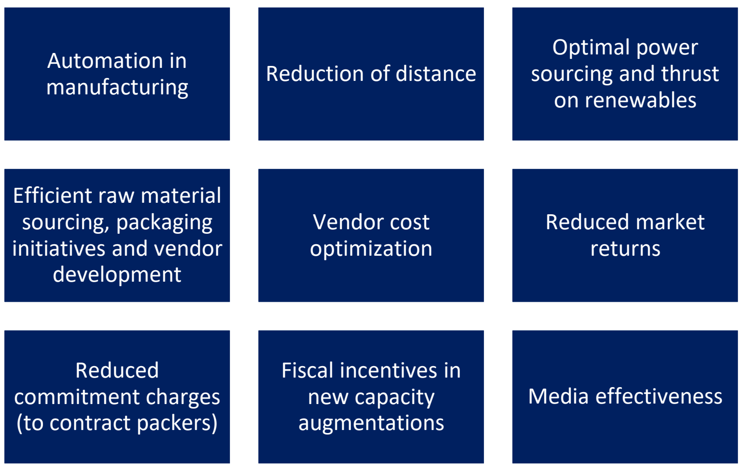
Exhibit 7: Assessing the gross revenue trend under IndAS

(Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23
Gross sales value	**103,680**	**115,763**	**120,833**	**135,024**	**145,716**	**167,363**
Add Customer Loyalty Program	59	14	(9)	8	(13)	48
Less: Stock returns	836	1,044	1,310	1,203	1,253	1,299
as a % of gross sales value	*0.8%*	*0.9%*	*1.1%*	*0.9%*	*0.9%*	*0.8%*
Less: Trade discounts, promotion and channel margin	3,846	4,998	5,073	4,998	5,003	6,263
as a % of gross revenue	*3.9%*	*4.6%*	*4.4%*	*3.9%*	*3.6%*	*3.9%*
Gross revenue	**99,056**	**109,735**	**114,440**	**128,830**	**139,447**	**159,849**
- India	93,047	102,649	108,017	121,340	131,782	150,945
- ex India	6,010	7,086	6,423	7,491	7,665	8,904

Source: Company, Emkay Research

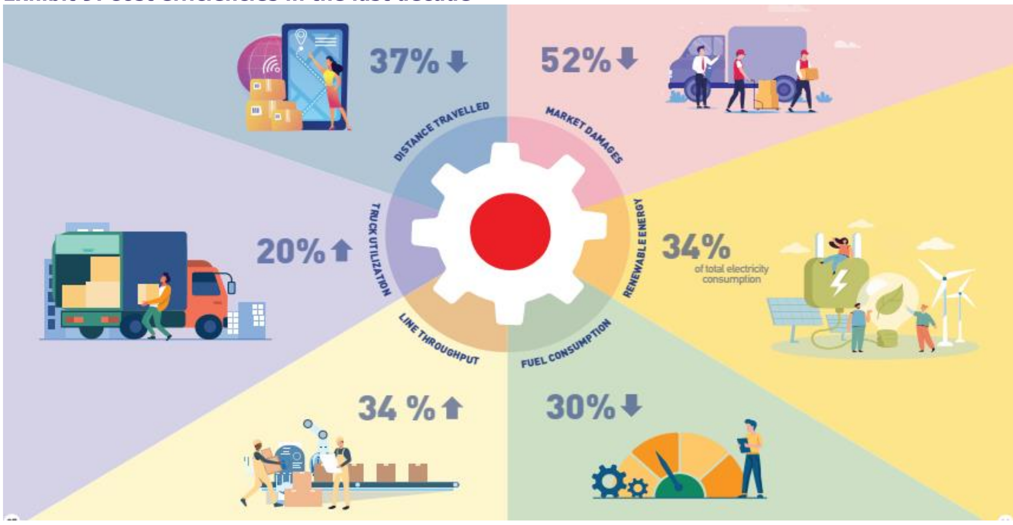
Cost efficiency vector continues to aid margin

Exhibit 8: Key levers of cost efficiency



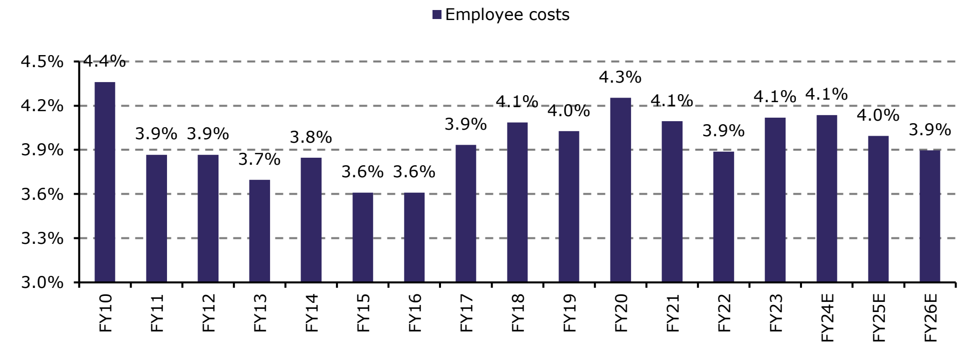
Source: Emkay Research

Exhibit 9: Cost efficiencies in the last decade



Source: Company, Emkay Research

Exhibit 10: Employee costs, as a % of revenue



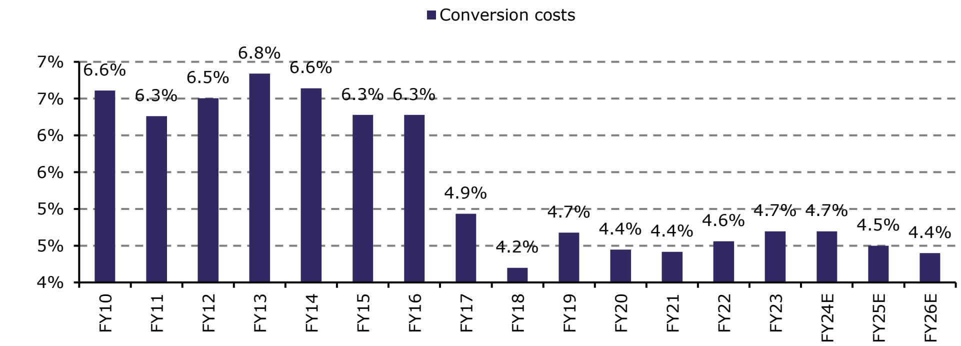
Increase in employee costs for FY23 is a factor of higher ESOP spends (Rs605mn in FY23 vs. 152mn in FY22)

Source: Company, Emkay Research

Exhibit 11: Conversion costs continue to trend down, with shift in in-house production

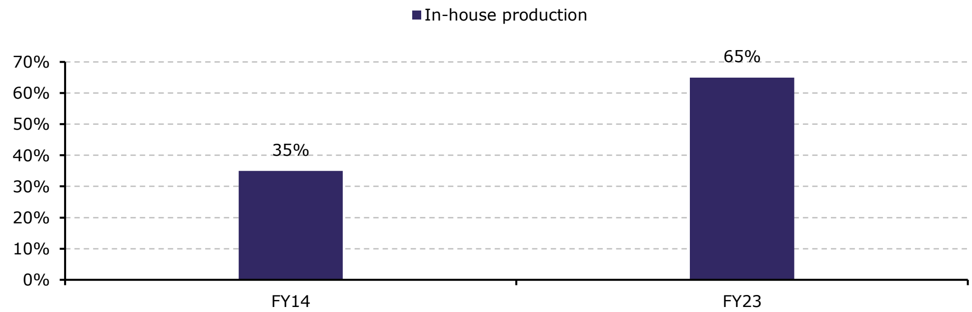
As the company shifts production in-house, conversion costs have trended down

In FY23 expansion in conversion costs have been a factor of faster growth in adjacencies, where 3P dependence is high



Source: Company, Emkay Research

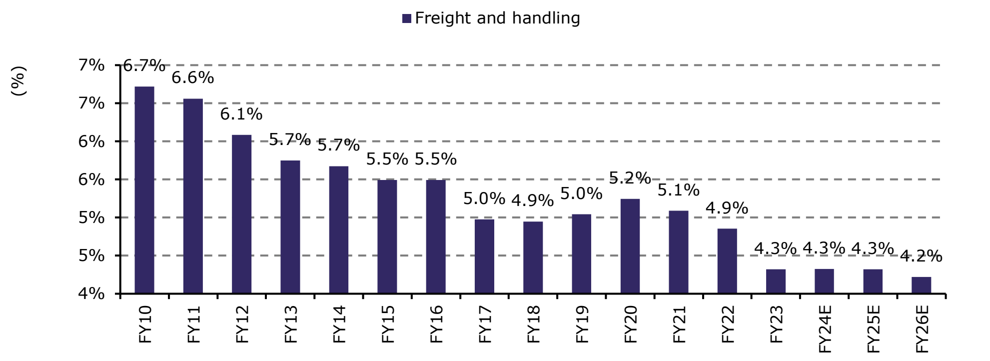
Exhibit 12: Shift in in-house production



Source: Company, Emkay Research

With the company commissioning the factory near consumption centers, freight/handling costs continue to trend down

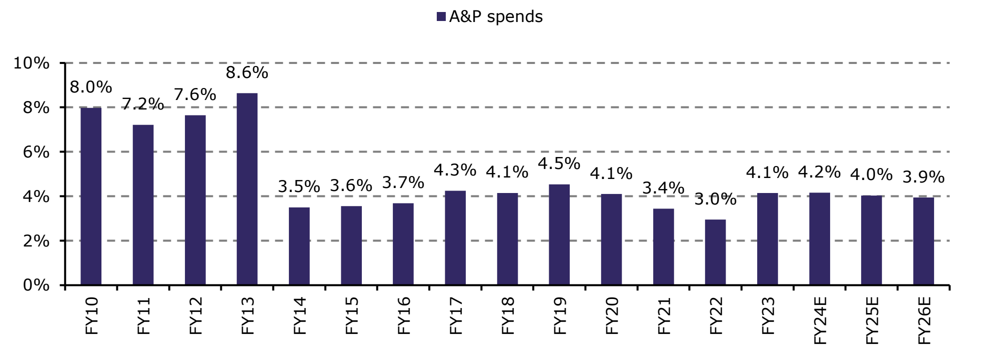
Exhibit 13: Transportation costs continue to trend down, with the factory being near the consumption centers



Source: Company, Emkay Research

Amid increase in new launches and actions in adjacencies, A&P spends have increased in FY23

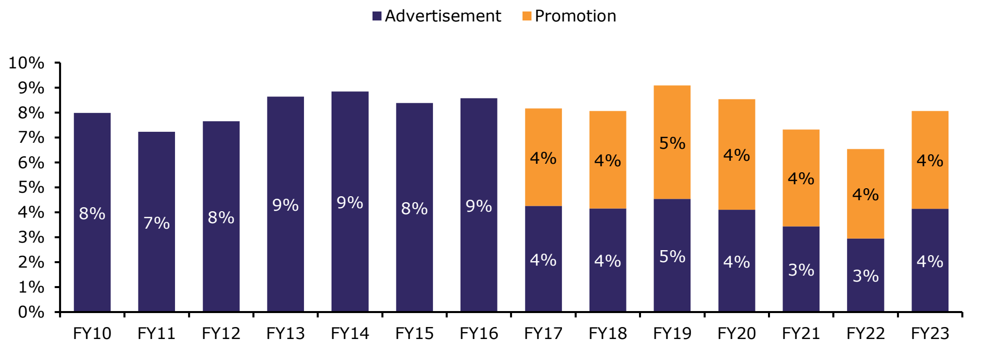
Exhibit 14: Advertisement and promotion spends



Source: Company, Emkay Research
^Note: Effective FY17, as per IndAS accounting, promotion spends have started adjusting with the top-line

Overall spend on advertisements and promotions (trade) stood at ~8% for FY23

Exhibit 15: Advertisement and promotion spends with trade promotions



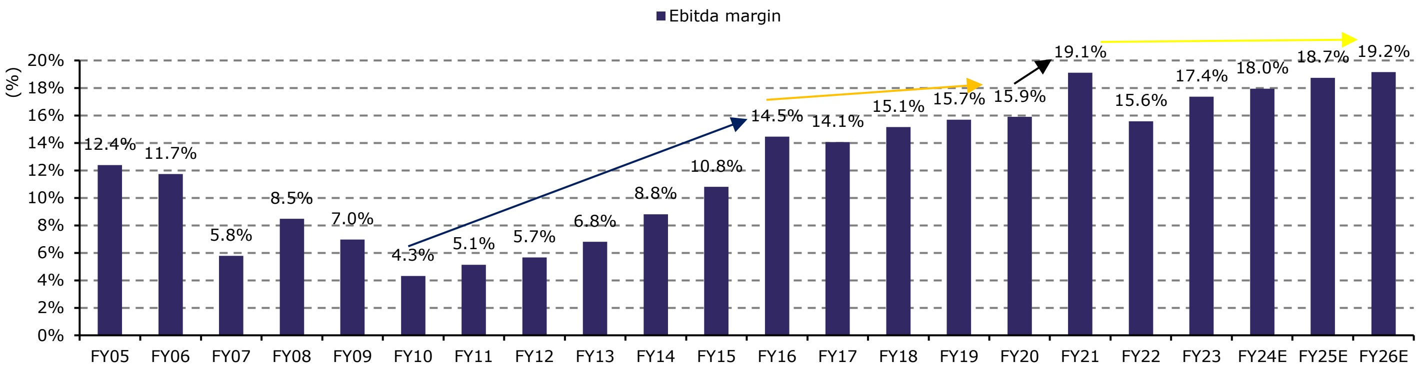
Source: Company, Emkay Research
Note: For FY17, we have assumed promotion at ~4% (in absence of reporting), similar to the FY18 reported data

Britannia's margin trajectory is three-pronged

During Varun Berry's tenure in FY13-23, Britannia's EBITDA margin has expanded by 10ppts

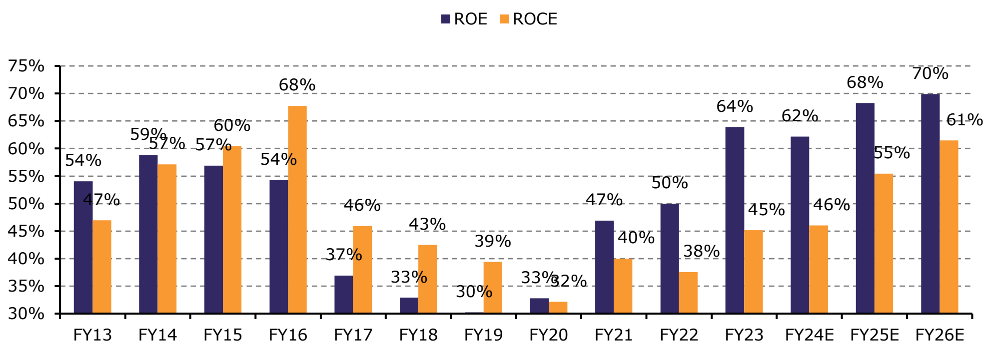
- In the first phase, the company saw a sharp 10ppt expansion in EBITDA margin over FY10-16 (~4ppt on account of gross-margin expansion), which is actually the recouping of margin by putting in place systems and processes to ward off unnecessary costs.
- In the second phase, EBITDA margin expanded by 200bps over FY16-20. We see that shifting of products from outsource to in-house has helped the company drive efficiency in conversion costs (Exhibit 8).
- In the third phase, the company was able to squeeze its cost structure during Covid-19, when it cut down discretionary spends in the business. Its margin profile expanded by 300bps in FY21. Management had stated that the black swan event had provided perspective to Management and, in the long run, Company would endeavor to retrace FY21 levels, which we believe will happen by FY26E. Key risk to our call would be accelerated growth in adjacencies, which in our view is margin-dilutive at this stage.

Exhibit 16: Britannia's EBITDA margin trend



Source: Company, Emkay Research

Exhibit 17: Returns profile



Source: Company, Emkay Research

Exhibit 18: DuPont Analysis

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Fixed asset turn (x)	5.2	5.0	5.1	5.1	8.5	7.2	6.1	5.1	5.2	5.2	4.8	4.1	4.2	4.3
Net profit margin (%)	4.2	6.1	7.7	9.5	9.8	10.1	10.5	12.2	14.1	10.7	11.9	12.1	12.9	13.4
Fixed assets/equity (x)	2.5	2.1	1.5	1.1	0.4	0.5	0.5	0.5	0.6	0.9	1.1	1.2	1.3	1.2

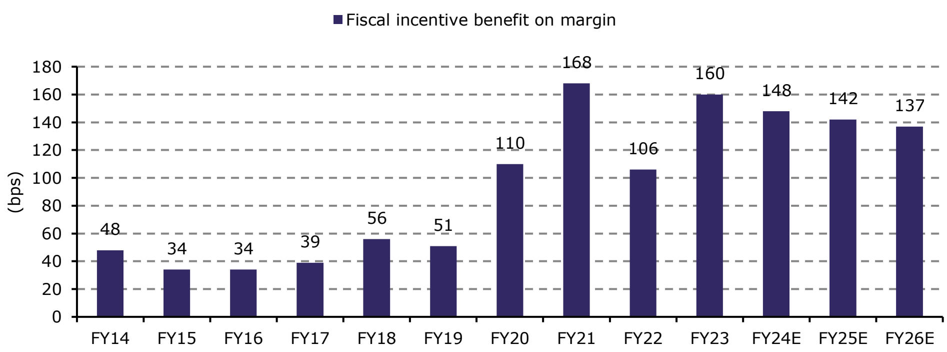
Source: Company, Emkay Research

Fiscal supports help the diversification agenda

While Britannia has been charting its business diversification agenda for a fairly long time now, we see incentives from Central and State governments in the form of production-linked incentives and State CGST refunds as enablers.

~50bps benefit in FY23, from the PLI scheme

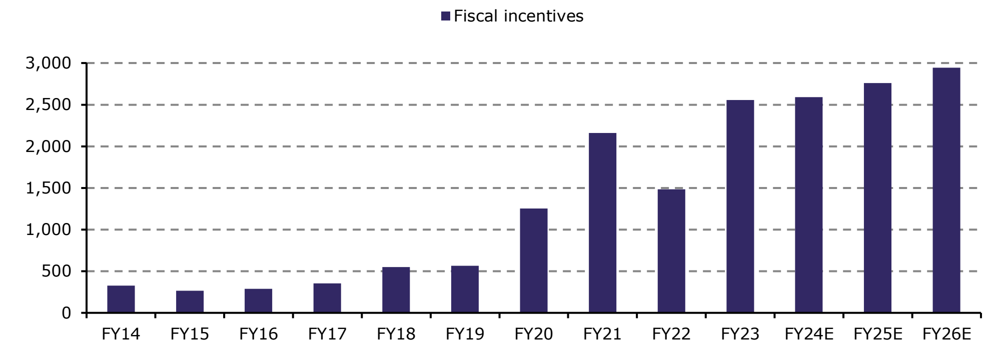
Exhibit 19: EBITDA margin benefit from State and Central incentives



Source: Company, Emkay Research

The company is benefitting from the state CGST refund; additionally, under the PLI scheme, the company is eligible for incentives

Exhibit 20: Quantum of annual State and Central government incentives



Source: Company, Emkay Research

Production-linked incentive

Britannia has received two approvals under the PLI scheme: i) sales incentive for 'Ready to Eat' and 'Ready to cook' categories (12 companies in total have received approval); and ii) branding and marketing support abroad. PLI benefit for Britannia was ~Rs900mn during FY22-23. Going ahead, the company is looking at PLI benefit of Rs150-200mn on a quarterly basis.

Exhibit 21: PLI-scheme benefit allocation by the central government

(Rs mn)	FY22	FY23	FY24	FY25	FY26	FY27	FY28	Combined
PLI Benefit 1: Sales incentive								
Allocated budget for RTE and RTC		2,800	5,150	7,450	9,810	8,670	7,940	41,820
Incentive	10%	10%	10%	10%	9%	8%		
Minimum benefit of budget allocation		5%	5%	5%	5%	5%	5%	
Maximum benefit of budget allocation		25%	25%	25%	25%	25%	25%	
PLI Benefit 2: Branding abroad								
Budgeted allocation		3,750	3,750	2,750	2,500	1,250	1,000	15,000

Source: Company, Emkay Research

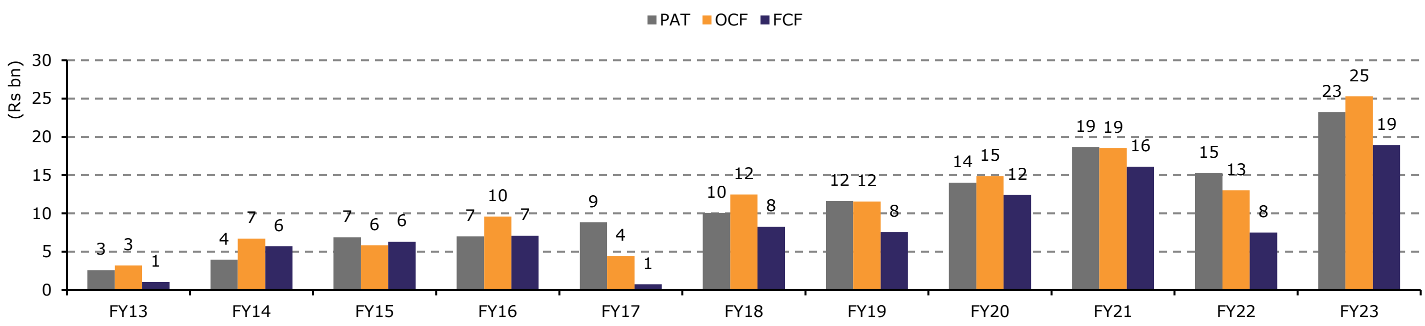
Healthy cash generation in business

Capex deployed to fulfill aspiration of becoming a 'Total Foods Company'

As a part of its capital allocation strategy, the company is deploying a higher sum towards capacity enhancement and has also seen higher dividend payouts on the back of healthy business liquidity. With large capacities expected to be commissioned by FY25, we see a period of muted capex thereafter. Additionally, the company is mulling inorganic opportunities, which in our view will further fortify its efforts to become a 'Total Foods Company'.

In the past few years, Britannia has issued non-convertible debentures to shareholders, who can opt to monetize with a separate listing. This is an interesting move as the company has been offering ICDs (inter corporate deposits) to corporates, including to Group companies.

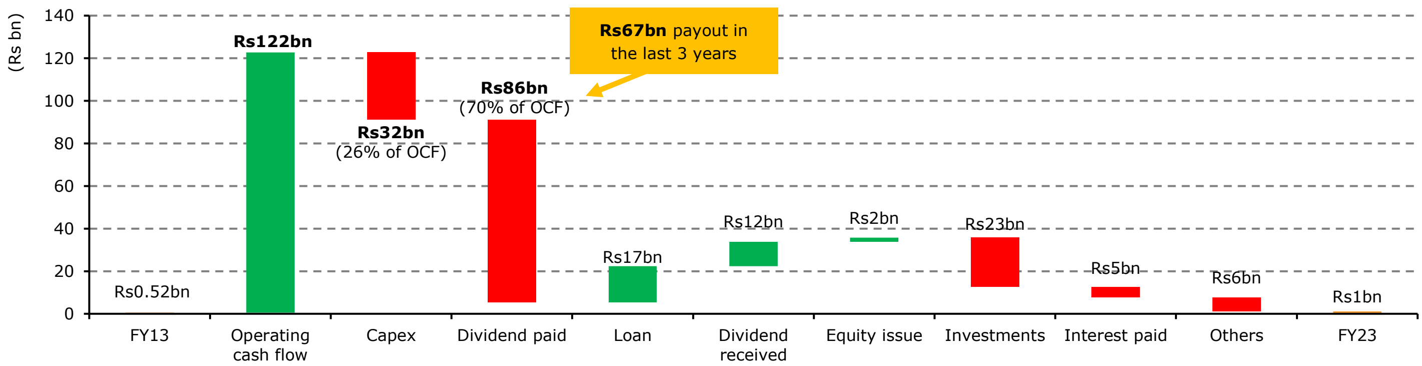
Exhibit 22: Cash generation remains healthy



Source: Company, Emkay Research

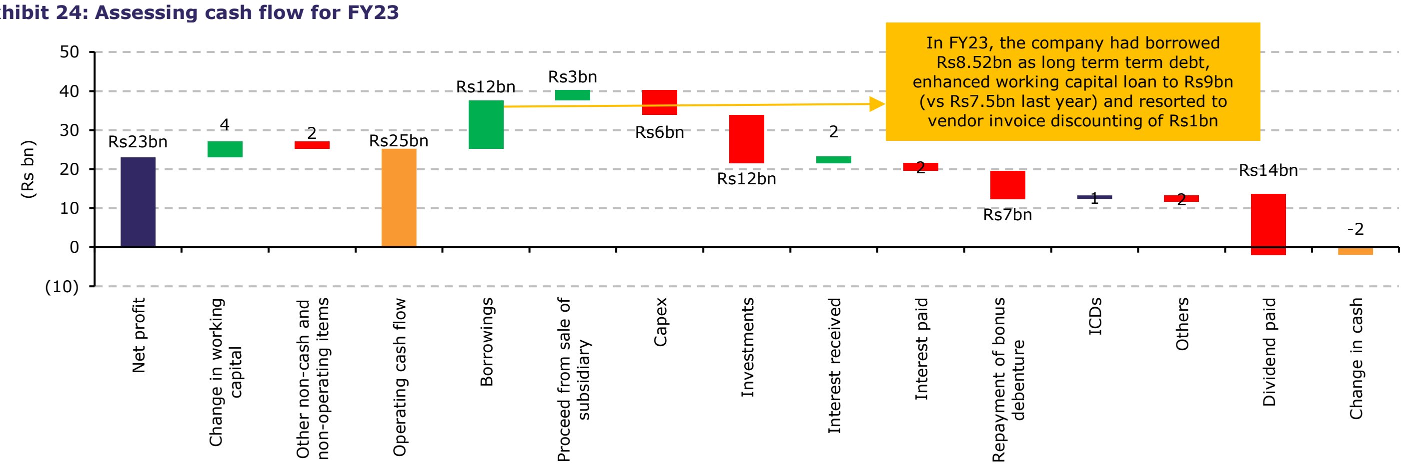
A closer look at last decade's cash flow points to operating cash generation of Rs122bn, which is a 100% cash earnings conversion. Of this operating cash generation, the company has utilized ~26% towards capex and ~70% for dividend payouts. The company has non-cash inflows from investments, where it is leveraging on low-cost debts.

Exhibit 23: Decadal analysis of cash flow



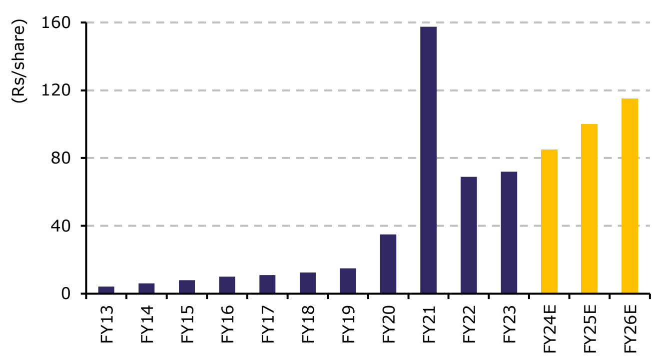
Source: Company, Emkay Research

Exhibit 24: Assessing cash flow for FY23



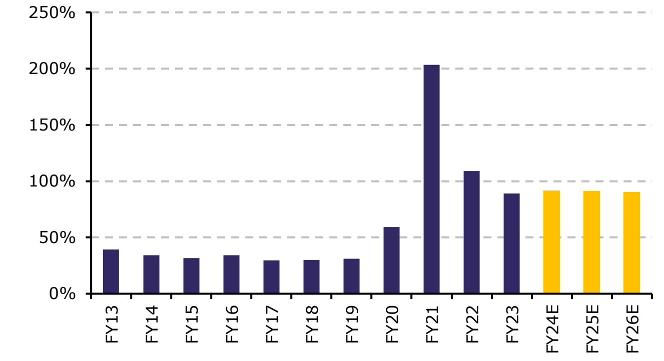
Source: Company, Emkay Research

Exhibit 25: Dividend per share on accrual basis



Source: Company, Emkay Research

Exhibit 26: Dividend pay-out

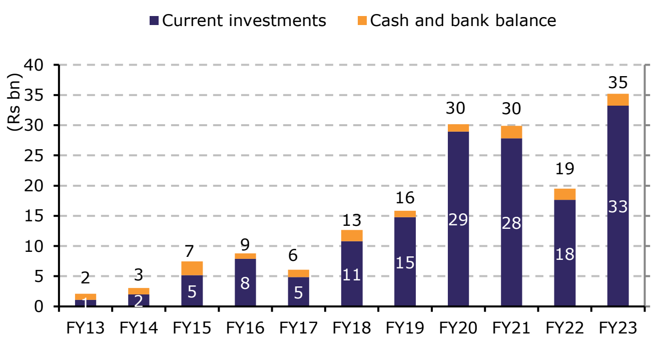


Source: Company, Emkay Research

Regained net cash position in FY23

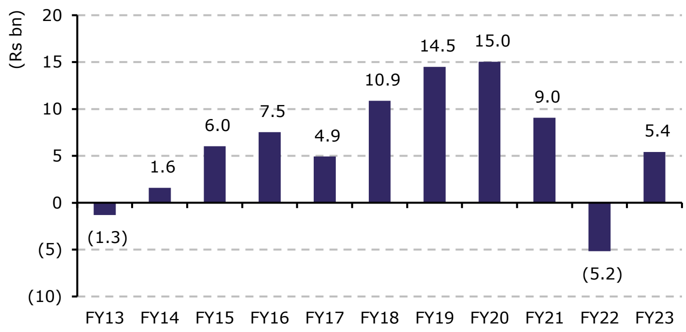
The company has been enhancing its liquidity position with healthy cash generation in the business. However, given the accelerated dividend pay-outs, increased capex and issuance of debentures, Company's liquidity position waned in FY22 and it turned into a net debt company. In FY23, with improved liquidity, the company again turned net cash.

Exhibit 27: Liquid assets



Source: Company, Emkay Research

Exhibit 28: Net cash / (Net debt) position



Source: Company, Emkay Research

Exhibit 29: Britannia's borrowing position

(Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23
Long-term borrowings	**846**	**619**	**7,661**	**7,478**	**7,070**	**15,518**
- Term loan from Bank		617	439	262		8,525
- Debenture	-	-	7,210	7,210	6,985	6,985
- Others	846	3	12	6	85	8
Short-term borrowings	**937**	**761**	**7,480**	**13,994**	**17,586**	**14,287**
- Commercial paper	-	-	4,785	9,744	-	-
- Debenture (Classified as Short term)	-	-	-	-	7,210	-
- Working capital Loan	-	-	-	1,000	7,500	9,000
- Liability under reverse factoring arrangement (bill discounting)	-	-	1,807	2,052	2,006	2,670
- Others	937	761	888	1,198	870	433
Total Borrowings	**1,783**	**1,380**	**15,141**	**21,472**	**24,656**	**29,805**

Source: Company, Emkay Research

Exhibit 30: Britannia's working capital position

(Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23
Inventory	6,528	7,814	7,410	10,915	13,675	11,933
Trade receivables	3,046	3,942	3,204	2,573	3,319	3,289
Trade payables	9,941	11,405	11,163	13,148	12,852	14,488
Net working capital	**(367)**	**351**	**(550)**	**340**	**4,142**	**734**
Inventory days (no. of)	24	26	23	30	35	27
Receivable days (no. of)	11	13	10	7	9	7
Payable days (no. of)	37	38	35	37	33	32
Net working capital days (no. of)	**(1)**	**1**	**(2)**	**1**	**11**	**2**

Source: Company, Emkay Research

Exhibit 31: Britannia's inventory position

(Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23
Raw material and Finished goods	3,671	4,341	4,461	7,582	9,446	6,875
as a % of Inventory position	*56%*	*56%*	*60%*	*69%*	*69%*	*58%*
Finished goods	2,012	2,504	1,961	2,225	2,987	4,020
as a % of Inventory position	*31%*	*32%*	*26%*	*20%*	*22%*	*34%*
Stores and spare parts	363	427	428	442	585	689
Others	482	542	559	666	657	350
Inventory	**6,528**	**7,814**	**7,410**	**10,915**	**13,675**	**11,933**
Days	24	26	24	31	36	27

Source: Company, Emkay Research

Exhibit 32: Britannia's receivables position

	FY18	FY19	FY20	FY21	FY22	FY23
Institutional	867	1,688	1,468	1,180	1,253	1,271
as a % of receivables	*28%*	*43%*	*46%*	*46%*	*38%*	*39%*
Authorized wholesaler	1,385	949	453	265	599	570
as a % of receivables	*45%*	*24%*	*14%*	*10%*	*18%*	*17%*
Exports	615	1,126	875	854	1,064	963
Others	179	179	408	274	403	486
Sundry Debtors	**3,046**	**3,942**	**3,204**	**2,573**	**3,319**	**3,289**
Days	11	13	10	7	9	8

Source: Company, Emkay Research

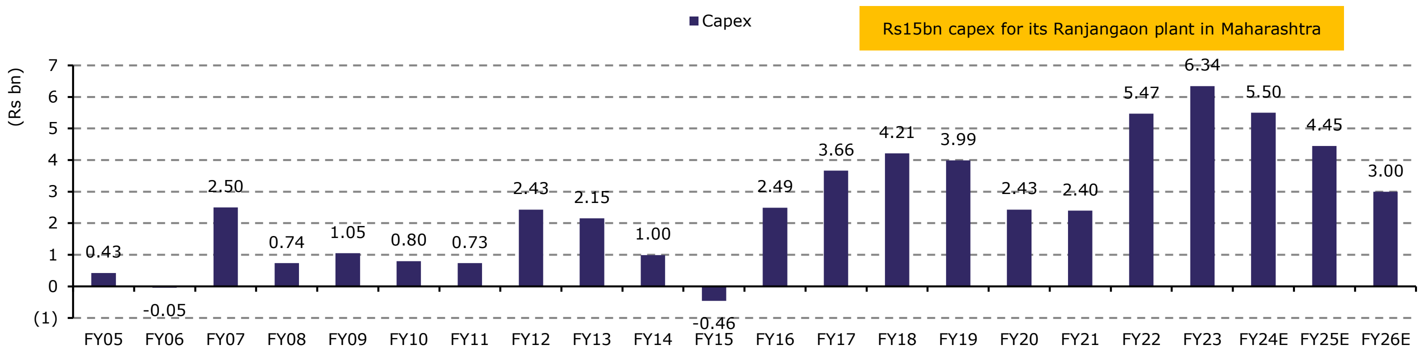
Accelerated capex to consolidate its in-house capacity

To fulfill its aspiration of becoming a 'Total Foods Company', Britannia has been sustaining aggressive capex in the business. The company now has factories in its key markets which has been aiding in share gains and reducing operating costs. As highlighted in the section above, we see having capacity in-house is positive for margins.

Accelerated capex to give competitive edge; also positive for margin

A relatively-better higher capex-spend by Britannia in the biscuits category is positive, owing to which the company is capable to accelerate innovation with the help of upgraded machineries. Similarly, its patented ovens are smaller in size, take less baking time and are energy-efficient. Additionally, given the high automation, man-power needs are less, down-time is low and wastages have been limited. We see enhanced in-house capacity to be a competitive advantage for Britannia.

Exhibit 33: Britannia Industries — Capital expenditure trend



Source: Company, Emkay Research

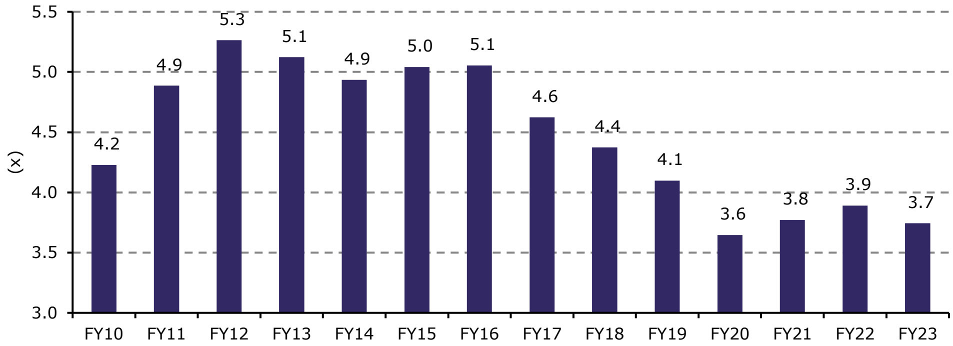
Exhibit 34: Capex spending and addition plans

	Capex spends (Rs bn)	Progressive capex	Planned capex
FY25E	4.45	• Addition of lines in **Ranjangaon** to continue • Additional line in **Orissa** • Three new lines — in **Uttar Pradesh, Tamil Nadu** and **Bihar**	• Rs7.5bn CY capex; the next 2-3 years' investment will be Rs2.5bn • Post this, Company will take a capex holiday, except the investment in innovations
FY24E	5.50	• Extension at the **Orissa** factory to continue • **Uttar Pradesh** factory to commission (Capex outlay of Rs3bn) • **Tamil Nadu** green-field expansion to continue (Capex outlay of Rs3bn) • New line addition in **Ranjangaon** to continue	• Capex outlay planned for FY24 at Rs5-6bn. Focus is on putting up factories near consumption centers • The company is evaluating a factory in **Bihar** (Capex outlay to be Rs2-2.5bn) • Of the allocated Rs15bn to be spent in Ranjangaon, Britannia has already spent ~Rs12bn
FY23	6.34	• The company has been adding lines in the **Ranjangaon** plant • It has done brownfield expansion in **Orissa** • The company has undergone greenfield capex in Barabanki, **Uttar Pradesh** • Spending on its green-field Tirunelveli, **Tamil Nadu** plant has begun	
FY22	5.47	• Expansion of its Khurda plant; new facility in **Tamil Nadu** (to address capacity constraints) • The company continues to add lines in **Ranjangaon**	• In the North, with resurgence of the 'Hindi belt', Britannia is looking to set up a plant in **Uttar Pradesh**. The company has bought land in Barabanki, and focus is to start execution. Britannia will get an incentive from the UP state government
FY21	2.40	• Capacity augmentation in **Bihar** (commenced) • Augmentation in capacity at **Orissa** • Couple of new lines added in **Ranjangaon**. The company decided to add a dairy line, where milk procurement will be leveraged	• New plant in **Uttar Pradesh** (second-largest market for the company), where supplies are now from Uttaranchal • For its **Ranjangaon** facility, the company enhanced spend to Rs15bn by 2024, from the initial outlay of Rs7bn
FY20	2.43	• Bulk of expansion capex is in **Ranjangaon** • Balance capex spends are on maintenance • The company has added capacity in **Nepal**	
FY19	3.99	• During the year, Britannia commissioned 2 biscuits lines and 1 cake line in **Ranjangaon** • Commissioned the Mundra SEZ, **Gujarat** facility	• The company is looking to add two new plants in the **East**, one in the **South** and, after a couple of years, one in the **North** • Addition of lines in **Ranjangaon** to continue which, on full commissioning, will add 11-12% to production volume. With 14 lines, Management sees annual capacity addition of 130k ton.
FY18	4.21	• Green field capex for the SEZ in **Gujarat** (to cater to international demand) • Green-field capex in **Assam**. Commissioned in FY18 • Combined green-field capacity to add 6% to the total capacity (60,000ton)	• Announced capex plan of Rs10bn in **Ranjangaon,** to be spent over 3 years; asset turns expected at 4x

Source: Company, Emkay Research

On the back of accelerated capex spends, Company's gross block turns remain under 4x

Exhibit 35: Gross block turns



Source: Company, Emkay Research
Note: Gross block under IGAAP; adjusted for Ind-AS adoption effect from FY17

Britannia's market share has gone up by 400bps, notwithstanding where the company has put up a factory

Exhibit 36: Capex journey in the last decade

Source: Company

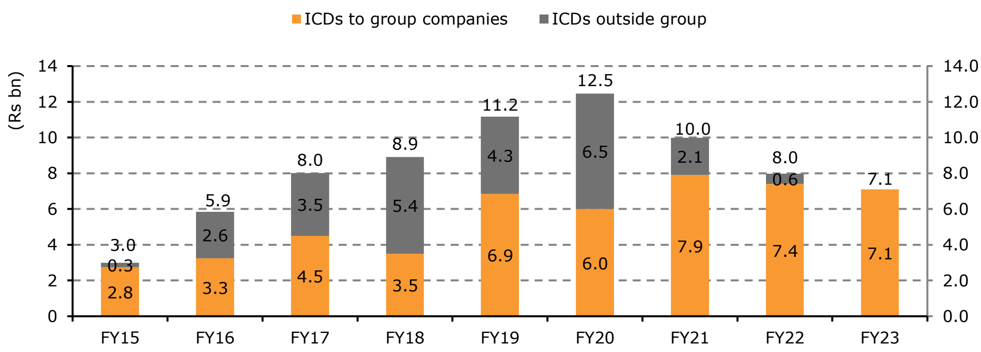
Inter-corporate deposits (ICDs) in a comfortable zone

As borrowing rate is cheaper than the ICD yield, Management sees delta revenue from ICDs

Amid shareholder concerns on extension of inter-corporate deposits (ICDs) to group companies, the company has paid due attention in the last three years, when ICDs reduced from Rs12.5bn in FY20 to Rs7.1bn in FY23. Management continues to see contraction in ICDs ahead. Given the yield being attractive at ~8.75-10%, the company believes it is prudent to extend ICDs.

ICDs are for a 1-year tenure; offer ~8.75-10% annual returns

Exhibit 37: Inter-corporate deposits, as of financial year end



Source: Company, Emkay Research

Exhibit 38: Inter corporate deposits (ICDs)

(Rs mn)	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Bombay Dying & Manufacturing Co.		1,000	3,500	3,500	3,500	3,500	2,900	3,500	3,350
Go Airlines (India)					3,350	2,500			
The Bombay Burmah Trading Corporation	400	400	400				5,000	3,900	3,750
SCAL Services	1,750	1,250							
Macrofil Investments	600	600	600						
ICDs to group companies	**2,750**	**3,250**	**4,500**	**3,500**	**6,850**	**6,000**	**7,900**	**7,400**	**7,100**
% of total ICD	92%	56%	56%	39%	61%	48%	79%	93%	100%
Other ICDs	**250**	**2,600**	**3,508**	**5,418**	**4,320**	**6,470**	**2,090**	**580**	**0**
Total ICDs	**3,000**	**5,850**	**8,008**	**8,918**	**11,170**	**12,470**	**9,990**	**7,980**	**7,100**
Total ICDs placed	3,550	3,600	4,708	6,860	8,743	12,934	12,025	7,400	8,500
Total ICDs redeemed	1,050	750	2,550	5,950	6,354	12,042	14,914	9,415	9,380
Net ICD placed	**2,500**	**2,850**	**2,158**	**910**	**2,389**	**892**	**(2,889)**	**(2,015)**	**(880)**
- With group company		500	1,250	(1,000)	3,350	(850)	1,900	(500)	(300)

Source: Company, Emkay Research

A closer look at related-party disclosures for FY23 suggests that the company has issued ICDs for a 12-month period, more towards helping inter-group companies.

- **Bombay Burmah Trading** is a tea and coffee plantations based company and, given the seasonal production, the company requires holding inventory for a long period, thus necessitating working-capital financing.
- **The Bombay Dyeing and Manufacturing Company** is engaged in three businesses: a) retail operations, addressing bedding needs, b) real estate, and c) polyester manufacturing. The company uses ICDs for general corporate purposes.

Company borrowing is ~5.8% vs the ~8.5% yield from ICDs. The company sees it as a better way to clock ~200-300bps net returns

Exhibit 39: ICDs to group companies in the last five years

(Rs mn)	FY19	FY20	FY21	FY22	FY23
The Bombay Dyeing and Manufacturing Company					
Opening ICDs	3,500	3,500	3,500	2,900	3,500
ICDs placed	0	3,500	2,900	3,500	2,350
ICDs redeemed	0	3,500	3,500	2,900	2,500
Closing ICDs	**3,500**	**3,500**	**2,900**	**3,500**	**3,350**
Interest income	350.7	349.1	259.6	296.8	335
Interest yield	10%	10%	10%	10%	10.%
Tenure (years)	1 Year	1 Year	1 Year	1-2 years	2 years
Bombay Burmah Trading Corporation					
Opening ICDs			0	5,000	3,900
ICDs placed			7,000	3,900	4,400
ICDs redeemed			2,000	5,000	4,550
Closing ICDs			**5,000**	**3,900**	**3,750**
Interest income			360	233	270
Interest yield			8.75%	8.75%	8.75%
Tenure (years)			1 year	1 year	1 year
Go Airlines					
Opening ICDs	0	3,350	2,500		
ICDs placed	3,600	1,600	700		
ICDs redeemed	250	2,450	3,200		
Closing ICDs	**3,350**	**2,500**	**0**		
Interest income	283.5	217.9	40.3		
Interest yield	10%	10%	10%		
Tenure (years)	1 year	1 year			

Source: Company, Emkay Research

Key transaction with Go Airlines during the year

- Brand promotion-related costs of Rs2.1mn for FY23
- Rental income of Rs1.1mn for FY23
- The company has receivables of Rs0.7mn, as of Mar-23

Key transaction with The Bombay Burmah Trading Corporation

- The company has ICD balance of Rs3.75bn, as of Mar-23. ICDs carry annual interest of 8.75%. During the year, the company has placed ICDs of Rs4.4bn and redeemed ICDs worth Rs4.55bn. Interest income stands at Rs269.8mn
- The company also has receivables of Rs65.1mn, as of Mar-23
- Reimbursement of expenses stood at Rs28.6mn for FY23

Key transactions with Bombay Dyeing & Manufacturing Co.

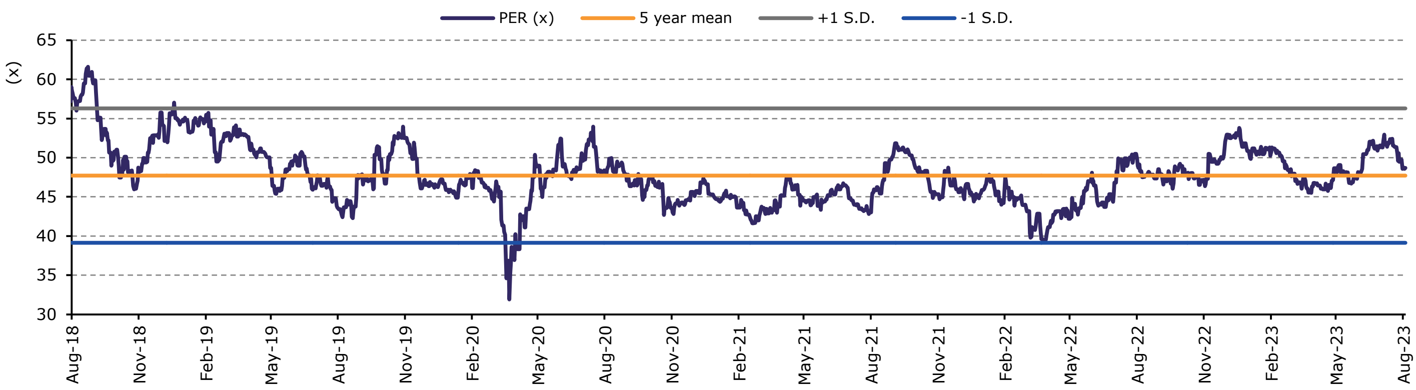
- The company has ICD balance of Rs3.35bn, as of Mar-23. ICDs carry annual interest of 10%. During the year, the company has placed ICDs of Rs2.35bn and redeemed ICDs worth Rs2.5bn. Interest income stands at Rs335mn
- The company also has receivables of Rs59.4mn, as of Mar-23

Key transactions with Nowrosjee Wadia and Sons

- Royalty for brand name and shared services of Rs545mn paid for FY23

Valuations: Risk-reward remains favorable

Exhibit 40: One-year forward PER (on Consensus)



Source: Company, Emkay Research

Exhibit 41: Assessing Britannia's stock valuation re-/de-rating, under the leadership of Varun Berry

Start	End	No. of months	12M fwd multiple (x)	Re-rating / de-rating	Comments
Feb-13	Oct-13	8	30.0	44%	Market-share gains; OPM expansion driven by cost-control measures
Oct-13	May-14	7	21.1	-30%	Category slowdown
May-14	Jun-15	13	46.1	118%	High-single to low double-digit volume growth delivery; multiple cost-saving initiatives drove the sharp margin expansion; easing in key input prices; better pricing power; mix improvement; market-share gains (up 130bps YoY to 28%)
Jun-15	Mar-16	9	31.1	-33%	Increased competition in the Biscuits category (ITC and Mondlez turned aggressive with product launches and push); concerns on margin sustenance amid rising competitive intensity
Mar-16	Aug-16	5	39.0	25%	Managed margin expansion despite raw-material headwinds; execution in key low market-share states helped market-share gains
Aug-16	Dec-16	4	33.2	-15%	Inflationary raw materials drove margin contraction, bread business restructuring; three CFO changes in the last four years
Dec-16	Nov-17	11	49.8	50%	Better show, despite demonetization headwinds; in spite of expensive raw material, operating margin expansion continued; expectation of growth acceleration post GST implementation
Nov-17	Feb-18	3	46.1	-7%	Increased competitive intensity (ITC increased intensity in the cookies segment through *Mom's Magic* brand)
Feb-18	Aug-18	6	61.6	34%	Sector re-rating; strong growth in both, India and International; increase in number of new launches
Aug-18	Oct-18	2	46.1	-25%	Sector de-rating
Oct-18	Dec-18	2	55.9	21%	Sector re-rating
Dec-18	Aug-19	8	42.1	-25%	Slowdown in the category, promoter debt level concerns and rumor of Varun Berry exiting the company drove the de-rating
Aug-19	Oct-19	2	52.5	25%	Company confirmed Varun Berry's continuation with the company. Market-share gains endured
Oct-19	Nov-19	1	46.7	-11%	ICDs (inter corporate deposits) maintained at similar levels QoQ, unlike market expectation of reduction
Nov-19	Mar-20	4	46.3	-1%	Covid-19 related uncertainty
Mar-20	Apr-20	1	47.5	3%	Covid-19 related volatility in stock valuation, similar to peers'
Apr-20	Jul-20	3	54.0	14%	Leveraged Covid-19 opportunity, when company maximized the volume opportunity. Q4FY21 volume grew 21.5%
Jul-20	Jul-21	12	43.8	-19%	High competitive intensity. Retraction in benefits gained in previous quarters
Jul-21	Sep-21	2	51.8	18%	In line with sector re-rating
Sep-21	Mar-22	6	39.5	-24%	FMCG sector de-rating, on account of rural slowdown and margin stress
Mar-22	Dec-22	9	53.9	36%	Outperformed the sector index, when company widened the gap with other Biscuits incumbents
Dec-22	Apr-23	4	45.5	-16%	Pressure sustains on rural and concerns persist on the pricing growth lever
Apr-23	Jul-23	3	52.4	15%	Steady share gains, expected rural rebound and likely easing in key raw material prices
Jul'23	Aug'23	1	48.7	-7%	Correction in line with moderate delivery from other Food companies. Additionally concerns on related party actions ahead

Source: Bloomberg, Emkay Research

Exhibit 42: Key assumptions

	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Growth expectations								
Standalone revenue growth	12%	4%	12%	9%	16%	8%	10%	10%
International revenue growth	-6%	7%	23%	1%	-10%	0%	10%	10%
Consolidated revenue growth	11%	4%	13%	8%	15%	10%	11%	11%
Biscuits volume growth	10%	2%	10%	3%	2%	2%	8%	8%
Biscuits value growth	12%	3%	12%	9%	18%	7%	10%	10%
Earnings growth	15%	22%	31%	-18%	28%	12%	18%	16%
As a % of total revenue								
Gross margin	41%	40%	42%	38%	41%	42%	42%	42%
A&P spends	5%	4%	4%	3%	4%	4%	4%	4%
Conversion costs	5%	4%	4%	5%	5%	5%	5%	4%
Freight and handling costs	5%	5%	5%	5%	4%	4%	4%	4%
EBITDA margin	16%	16%	19%	16%	17%	18%	19%	19%
Per share								
Adj EPS (Rs/sh)	48.2	59.0	77.4	63.3	80.8	90.8	106.9	123.5
DPS (Rs/sh)	15.0	35.0	157.5	69.0	72.0	85.0	100.0	115.0
Dividend payout	31%	59%	203%	109%	89%	94%	94%	93%
Balance sheet								
Total debt (Rs bn)	1.4	15.1	20.9	24.7	29.8	26.4	19.7	20.1
Capex (Rs bn)	5.1	4.1	1.5	1.9	12.1	5.5	3.0	3.0
Investments (Rs mn)	14.8	28.9	27.8	17.6	33.2	20.0	20.0	20.0
Inventory days (no. of)	26	24	31	36	27	30	30	30
Receivable days (no. of)	13	10	7	9	8	9	9	9
Payable days (no. of)	38	36	37	34	33	33	33	33
Net working capital days (no. of)	1	-2	1	11	2	6	6	6

Source: Company, Emkay Research

Exhibit 43: Emkay vs Consensus estimates

	Emkay estimates			Consensus estimates			Emkay vs Consensus		
(Rs mn)	**FY24**	**FY25**	**FY26**	**FY24**	**FY25**	**FY26**	**FY24**	**FY25**	**FY26**
Sales	**177,863**	**196,969**	**217,986**	178,650	198,744	220,940	0%	-1%	-1%
EBITDA	**31,933**	**36,895**	**41,746**	32,267	36,559	41,873	-2%	1%	0%
EBITDA margin	**18.0%**	**18.7%**	**19.2%**	18.1%	18.4%	19.0%			
Adj PAT	**21,879**	**25,740**	**29,751**	22,715	25,791	29,623	-4%	0%	0%

Source: Bloomberg, Emkay Research

Exhibit 44: Changes to our estimates

	New estimates			Old estimates			Changes to estimate		
(Rs mn)	**FY24**	**FY25**	**FY26**	**FY24**	**FY25**	**FY26**	**FY24**	**FY25**	**FY26**
Sales	**177,863**	**196,969**	**217,986**	177,772	197,003	218,126	0%	0%	0%
EBITDA	**31,933**	**36,895**	**41,746**	31,623	36,809	42,471	0%	0%	-2%
EBITDA margin	**18.0%**	**18.7%**	**19.2%**	17.8%	18.7%	19.5%			
Adj PAT	**21,879**	**25,740**	**29,751**	22,322	26,402	30,621	-2%	-3%	-3%

Source: Emkay Research

Q1FY24 performance

Britannia's Q1FY24 result came in below Street/our expectations. Revenue/EBITDA/adj PAT grew 8%/38%/36%, standing 4% lower/1% above/3% below our estimates, respectively. Standalone revenue grew 10%, with flat YoY volume in the quarter. Management noted high competitive intensity on the ground which led to price cuts in Q1. Gross margin saw a sharp 500bps expansion to 42%, which was better than expectations. EBITDA margin stood at 17.4% (up 365bps YoY), better than our expectation of 16.7%, albeit lower than Consensus expectations of 18%. While EBITDA came in-line on the back of lower 'other income' and higher interest costs, earnings saw a miss of 3% on our estimates.

Focus on margin build-up hurts top-line delivery

The key difference in Q1FY24 results and our expectations is the Management call of prioritizing margin build-up over volumes. We were building-in lower margin, on expectations of price cuts in the portfolio driving a volume growth. During the Q4FY23 results, Management had indicated the need for price cuts in Q1FY24 owing to rising competition; but the lower quantum of price cuts has been minimal in Q1.

Management clarity needed on Q1FY24 results

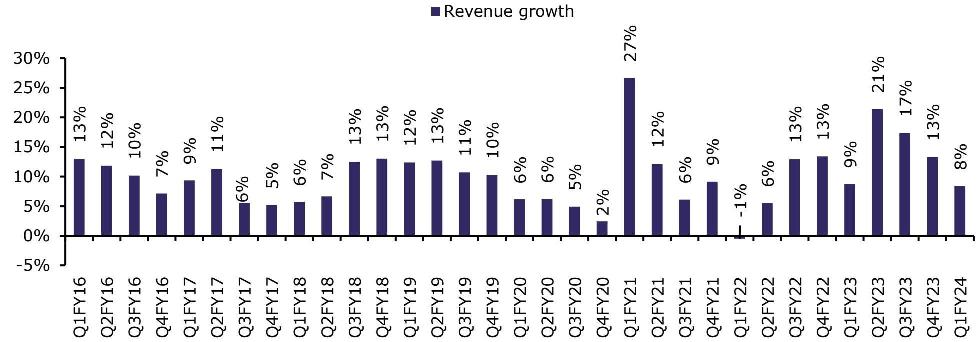
Based on Q1FY24 results, the key questions for Management, specific to Q1 delivery, are: i) domestic business volume growth (packs and weight) and strategy ahead regarding pricing; ii) update on biscuits market share amid the rising local competition; iii) update on adjacencies; iv) PLI benefit for the quarter (YoY reduction in other operating income suggests PLI benefit did not accrue); v) update on the raw-material situation; vi) A&P spends for the quarter (for FY23, spends increased by 120bps to 4.2%); vii) outlook on interest costs (up 52% QoQ).

Exhibit 45: Assessing Q1FY24 performance

(Rs mn)	1QFY24	1QFY23	YoY (%)	4QFY23	QoQ (%)	1QFY24E	Var (%)
Total income	**40,107**	**37,010**	**8.4**	**40,232**	**(0.3)**	**41,616**	**(3.6)**
Cost of goods	23,287	23,361	(0.3)	22,159	5.1	25,386	(8.3)
Employee expenses	1,883	1,470	28.1	1,706	10.4	1,637	15.1
Other expenses	8,048	7,171	12.2	8,358	(3.7)	7,775	3.5
EBITDA	**6,889**	**5,007**	**37.6**	**8,009**	**(14.0)**	**6,818**	**1.0**
EBITDA Margin (%)	17.2	13.5	360bps	19.9	-270bps	16.4	80bps
Depreciation	708	510	38.9	653	8.3	650	8.9
EBIT	**6,181**	**4,498**	**37.4**	**7,356**	**(16.0)**	**6,168**	**0.2**
EBIT Margin (%)	15.4	12.2	330bps	18.3	-290bps	14.8	
Interest cost	531	420	26.4	349	52.2	400	32.6
Other income	539	555	(2.8)	564	(4.3)	600	(10.1)
PBT	**6,190**	**4,633**	**33.6**	**7,571**	**(18.2)**	**6,368**	**(2.8)**
Tax	1,665	1,274	30.7	2,035	(18.2)	1,656	0.6
Tax rate (%)	26.9	27.5		26.9		26.0	3.5
Non-recurring items	0	0.0		0		0	
Minority Interest	21.0	17	23.5	11	98.1	12.0	
PAT	4,546	3,376	34.6	5,546	(18.0)	4,724	(3.8)
Adj Profit	**4,546**	**3,376**	**34.6**	**5,546**	**(18.0)**	**4,724**	**(3.8)**
Net margin (%)	11.3	9.1		13.8		11.4	
EPS (Rs)	19.0	14.0	35.6	23.2	(18.1)	19.6	

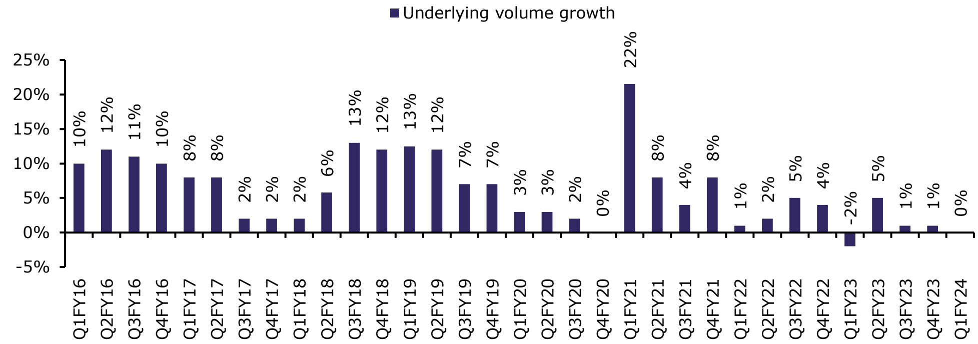
Source: Company, Emkay Research

Exhibit 46: Quarterly revenue growth (YoY)



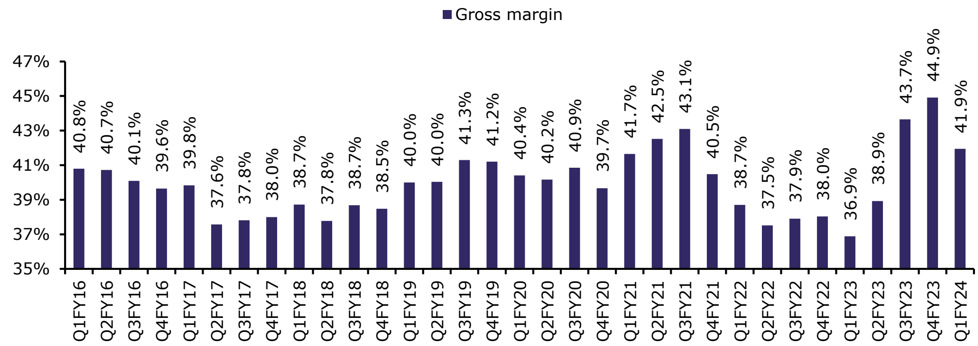
Source: Company, Emkay Research

Exhibit 47: Quarterly volume growth trend (YoY)



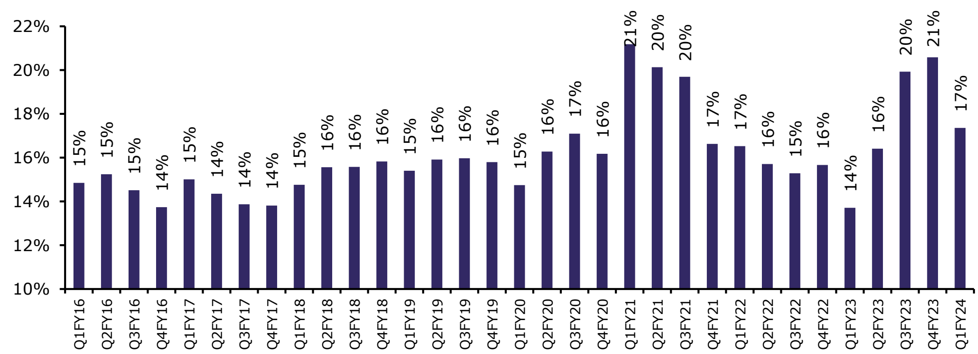
Source: Company, Emkay Research

Exhibit 48: Gross margin trend



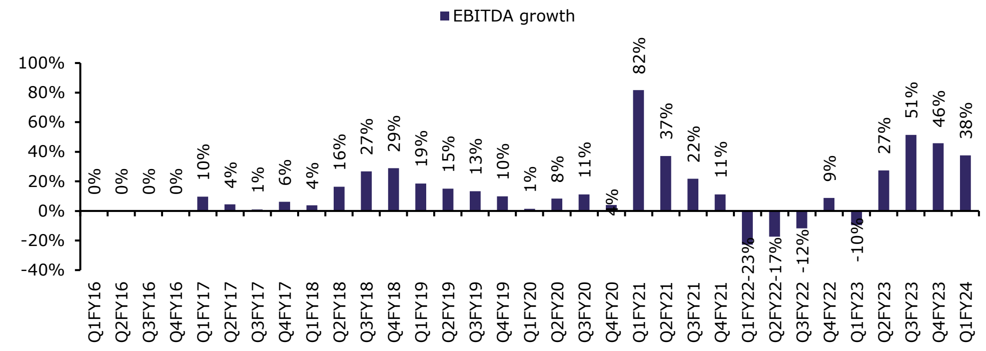
Source: Company, Emkay Research

Exhibit 49: Quarterly EBITDA margin



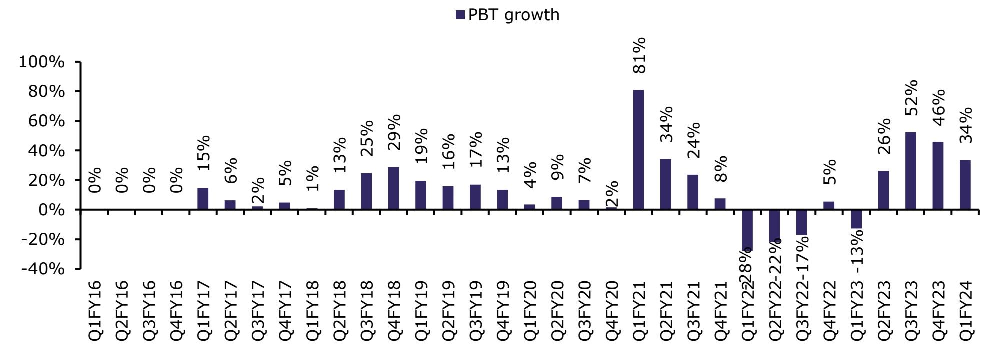
Source: Company, Emkay Research

Exhibit 50: Quarterly EBITDA growth (YoY)



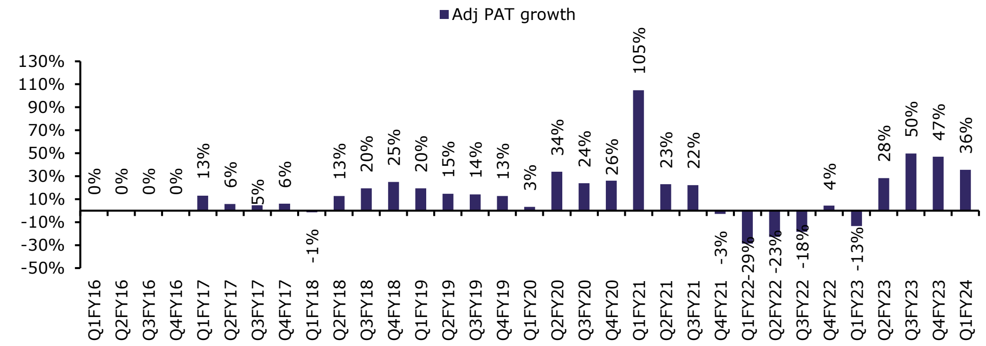
Source: Company, Emkay Research

Exhibit 51: Quarterly profit before tax growth (YoY)



Source: Company, Emkay Research

Exhibit 52: Quarterly adjusted PAT growth (YoY)



Source: Company, Emkay Research

Britannia Industries: Consolidated Financials and Valuations

Profit & Loss

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Revenue	**1,41,363**	**1,63,006**	**1,77,863**	**1,96,969**	**2,17,986**
Revenue growth (%)	7.6	15.3	9.1	10.7	10.7
EBITDA	**22,015**	**28,309**	**31,933**	**36,895**	**41,746**
EBITDA growth (%)	(12.3)	28.6	12.8	15.5	13.1
Depreciation & Amortization	2,005	2,259	2,800	3,200	3,350
EBIT	**20,010**	**26,050**	**29,133**	**33,695**	**38,396**
EBIT growth (%)	(13.4)	30.2	11.8	15.7	14.0
Other operating income	1,916	3,157	2,765	2,979	3,214
Other income	382	527	550	650	750
Financial expense	1,443	1,691	1,924	1,374	850
PBT	**20,795**	**26,518**	**29,359**	**34,271**	**39,596**
Extraordinary items	0	0	0	0	0
Taxes	5,624	7,165	7,780	8,910	10,295
Minority interest	88	55	60	80	100
Income from JV/Associates	(2)	54	240	300	350
Reported PAT	**15,248**	**23,218**	**21,879**	**25,741**	**29,751**
PAT growth (%)	(18.2)	52.3	(5.8)	17.7	15.6
Adjusted PAT	**15,258**	**19,462**	**21,879**	**25,741**	**29,751**
Diluted EPS (Rs)	**63.3**	**80.8**	**90.8**	**106.9**	**123.5**
Diluted EPS growth (%)	(18.2)	27.5	12.4	17.7	15.6
DPS (Rs)	**69.0**	**72.0**	**85.0**	**100.0**	**115.0**
Dividend payout (%)	**108.9**	**89.1**	**93.6**	**93.6**	**93.1**
EBITDA margin (%)	15.6	17.4	18.0	18.7	19.2
EBIT margin (%)	14.2	16.0	16.4	17.1	17.6
Effective tax rate (%)	27.0	27.0	26.5	26.0	26.0
NOPLAT (pre-IndAS)	**14,599**	**19,012**	**21,413**	**24,934**	**28,413**
Shares outstanding (mn)	240.9	240.9	240.9	240.9	240.9

Source: Company, Emkay Research

Balance Sheet

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Share capital	241	241	241	241	241
Reserves & Surplus	25,340	35,102	34,820	40,087	44,547
Net worth	**25,581**	**35,343**	**35,061**	**40,328**	**44,788**
Minority interests	275	302	242	162	62
Deferred tax liability (net)	(509)	(554)	(554)	(554)	(554)
Total debt	**24,655**	**29,805**	**26,422**	**19,730**	**20,053**
Total liabilities & equity	**50,003**	**64,896**	**61,172**	**59,667**	**64,349**
Net tangible fixed assets	16,136	25,271	27,971	27,771	27,421
Net intangible assets	1,396	1,282	1,282	1,282	1,282
Net ROU assets	1,893	1,987	2,087	2,191	2,301
Capital WIP	5,357	1,050	1,050	2,500	2,500
Goodwill	1,396	1,282	1,282	1,282	1,282
Investments [JV/Associates]	0	0	0	0	0
Cash & equivalents	**19,473**	**35,222**	**26,316**	**23,152**	**27,735**
Current assets (ex-cash)	32,277	30,130	35,108	38,767	42,791
Current Liab. & Prov.	24,636	28,058	30,554	33,804	37,379
NWC (ex-cash)	**7,641**	**2,072**	**4,554**	**4,962**	**5,412**
Total assets	**50,003**	**64,896**	**61,172**	**59,667**	**64,349**
Net debt	5,183	(5,417)	106	(3,422)	(7,682)
Capital employed	50,003	64,896	61,172	59,667	64,349
Invested capital	**25,173**	**28,624**	**33,806**	**34,015**	**34,114**
BVPS (Rs)	106.2	146.7	145.6	167.4	185.9
Net Debt/Equity (x)	0.2	(0.2)	0.0	(0.1)	(0.2)
Net Debt/EBITDA (x)	0.2	(0.2)	0.0	(0.1)	(0.2)
Interest coverage (x)	0.0	0.0	0.0	0.0	0.0
RoCE (%)	**38.2**	**46.3**	**47.1**	**56.7**	**62.9**

Source: Company, Emkay Research

Cash flows

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
PBT	20,795	26,518	29,359	34,271	39,596
Others (non-cash items)	(251)	(4,129)	0	0	0
Taxes paid	(5,869)	(7,258)	(7,780)	(8,910)	(10,295)
Change in NWC	(3,273)	4,057	(2,482)	(409)	(450)
Operating cash flow	**12,995**	**25,262**	**21,671**	**27,576**	**31,001**
Capital expenditure	(5,470)	(6,345)	(5,500)	(4,450)	(3,000)
Acquisition of business	0	0	0	0	0
Interest & dividend income	2,068	1,747	2,150	1,850	1,900
Investing cash flow	**9,109**	**(15,171)**	**9,892**	**(2,600)**	**(1,100)**
Equity raised/(repaid)	0	0	(60)	(80)	(100)
Debt raised/(repaid)	3,599	5,182	(3,383)	(6,692)	323
Payment of lease liabilities	22	0	0	0	0
Interest paid	(1,186)	(1,957)	(1,924)	(1,274)	(700)
Dividend paid (incl tax)	(24,849)	(13,592)	(22,160)	(20,474)	(25,291)
Others	(22)	83	0	0	0
Financing cash flow	**(22,458)**	**(10,284)**	**(27,527)**	**(28,519)**	**(25,768)**
Net chg in Cash	(354)	(192)	4,036	(3,544)	4,133
OCF	12,995	25,262	21,671	27,576	31,001
Adj. OCF (w/o NWC chg.)	16,268	21,206	24,153	27,985	31,451
FCFF	7,525	18,917	16,171	23,126	28,001
FCFE	8,150	18,973	16,397	23,702	29,201
OCF/EBITDA (%)	59.0	89.2	67.9	74.7	74.3
FCFE/PAT (%)	53.4	97.5	74.9	92.1	98.2
FCFF/NOPLAT (%)	**51.5**	**99.5**	**75.5**	**92.7**	**98.6**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E Mar	FY22	FY23	FY24E	FY25E	FY26E
P/E (x)	75.8	59.4	52.9	44.9	38.9
P/CE(x)	67.0	53.2	46.8	39.9	34.9
P/B (x)	45.2	32.7	33.0	28.7	25.8
EV/Sales (x)	8.3	7.2	6.6	5.9	5.4
EV/EBITDA (x)	52.8	40.7	36.2	31.3	27.5
EV/EBIT(x)	58.0	44.2	39.7	34.2	29.9
EV/IC (x)	46.1	40.2	34.2	33.9	33.7
FCFF yield (%)	0.6	1.6	1.4	2.0	2.4
FCFE yield (%)	0.7	1.6	1.4	2.1	2.5
Dividend yield (%)	1.4	1.5	1.8	2.1	2.4
DuPont-RoE split					
Net profit margin (%)	10.8	11.9	12.3	13.1	13.6
Total asset turnover (x)	2.6	2.8	2.8	3.3	3.5
Assets/Equity (x)	1.7	1.9	1.8	1.6	1.5
RoE (%)	**50.0**	**63.9**	**62.2**	**68.3**	**69.9**
DuPont-RoIC					
NOPLAT margin (%)	10.3	11.7	12.0	12.7	13.0
IC turnover (x)	5.6	6.1	5.7	5.8	6.4
RoIC (%)	**57.5**	**70.7**	**68.6**	**73.5**	**83.4**
Operating metrics					
Core NWC days	(13.9)	(12.6)	(13.7)	(12.7)	(12.7)
Total NWC days	**19.7**	**4.6**	**9.3**	**9.2**	**9.1**
Fixed asset turnover	5.0	4.6	4.0	4.1	4.2
Opex-to-revenue (%)	22.5	23.8	24.0	23.7	23.2

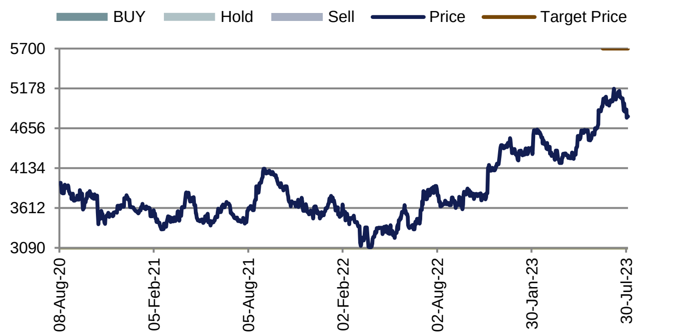
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
18-Jun-23	5,045	5,700	Buy	Nitin Gupta
15-Jun-23	4,975	5,700	Buy	Nitin Gupta

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Bloomberg, Company, Emkay Research

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India
Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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