

August 7, 2023

## Q1FY24 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	4,500		4,800	
Sales (Rs. m)	1,73,001	1,93,012	1,82,404	2,03,597
% Chng.	(5.2)	(5.2)		
EBITDA (Rs. m)	30,511	34,471	34,352	37,693
% Chng.	(11.2)	(8.5)		
EPS (Rs.)	85.5	96.8	98.0	106.5
% Chng.	(12.7)	(9.0)		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	1,41,363	1,63,006	1,73,001	1,93,012
EBITDA (Rs. m)	22,015	28,309	30,511	34,471
Margin (%)	15.6	17.4	17.6	17.9
PAT (Rs. m)	15,170	19,407	20,597	23,329
EPS (Rs.)	63.0	80.6	85.5	96.8
Gr. (%)	(18.1)	27.9	6.1	13.3
DPS (Rs.)	74.5	72.0	70.0	80.0
Yield (%)	1.6	1.5	1.5	1.7
RoE (%)	49.7	63.7	61.6	69.6
RoCE (%)	37.5	45.2	43.1	52.8
EV/Sales (x)	8.1	7.0	6.6	5.9
EV/EBITDA (x)	51.8	40.1	37.3	32.9
PE (x)	74.2	58.0	54.6	48.2
P/BV (x)	44.0	31.8	35.7	31.6

### Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.5,270 / Rs.3,555
Sensex / Nifty	65,953 / 19,597
Market Cap	Rs.1,125bn/ \$ 13,594m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.1779.65m

### Shareholding Pattern (%)

Promoter's	50.55
Foreign	21.29
Domestic Institution	12.59
Public & Others	15.57
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(7.6)	1.4	26.6
Relative	(8.5)	(7.3)	12.1

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## Mixed demand, Competition to curtail margins

### Quick Pointers:

- Unorganized competition comes back, BRIT adjusts grammage/prices
- Wheat prices, ad-spends, pricing actions to curtail margin expansion in FY24

**We cut FY24/FY25 EPS estimates by 12.7%/9.0% on account 1) sustained pressure on rural demand, 2) price cuts and grammage correction to remain competitive amidst rising regional/unorganized competition and 3) normalized ad-spends & higher depreciation (new units including Ranjangaon). Innovations have been a mixed bag with dairy innovations being 10% of sales and overall innovations contribution at 4% (Jim Jam Pops & Multigrain rusks launched). While BRIT has wheat futures for next four months, timely rollover could be key given that wheat prices may firm up in 2H24. We now build in EBITDA margins of 17.6% & 17.9% in FY24/25 (18.8% & 18.5% earlier) vs 17.4% in FY23 (one time PLI gains of ~50bps for FY23 and 240bps in 4Q23).**

**BRIT's long term growth drivers are intact with 1) 28k rural preferred dealers 2) rising share of MT sales with improved mix 3) higher growth in focus states and 4) cost efficiency gains in manufacturing, distribution and procurement. We estimate 8.8%/9.6% sales and PAT CAGR over FY23-25. We roll over to 45x Jun25EPS and assign a target price of Rs4500 (Rs4800 earlier). Hold.**

**1Q volumes flat as regional players bounce back:** Consolidated Revenues grew 8.4% YoY to Rs40.1bn. Gross margins expanded 506bps YoY (down 298bps QoQ) to 41.9% (240bps impact of one-time PLI arrears in 4Q). EBITDA grew 37.6% YoY to Rs6.9bn; Margins expanded 365bps YoY but contracted 273bps QoQ to 17.2%. PBT grew 33.6% YoY to Rs 6.2bn. Adjusted PAT grew 34.7% YoY to Rs4.5bn. Standalone Revenues grew 9.9% YoY to Rs38.7bn. EBITDA grew 41.9% YoY to Rs6.7bn, margins expanded by 388bps YoY but contracted 318bps QoQ to 17.2%. PAT grew 51.2% YoY to Rs 4.4bn. Britannia BEL JV is showing green shoots with rebranding as Britannia 'Laughing Cow' cheese and launch of Rs10 sachets.

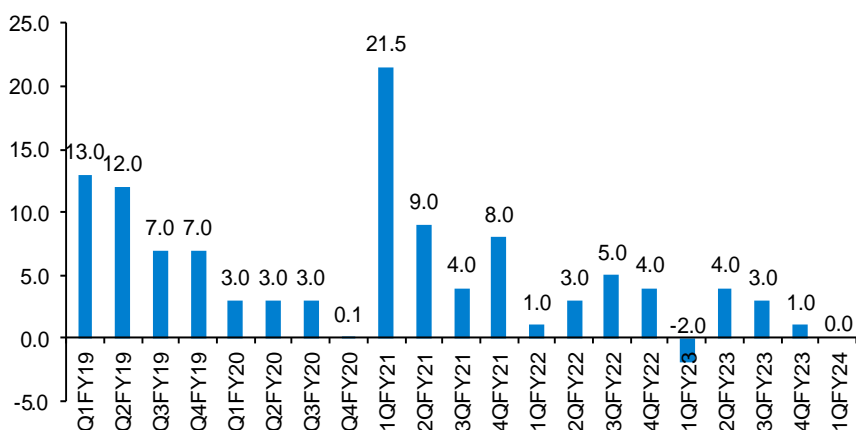
**Concall Takeaways:** 1) Increase in competitive intensity due to resurgence of local/regional players. BRIT has increased grammage to remain competitive and cut prices by 1.8% 2) Focus states continue to grow at 2.2x of company growth 3) MT/E-com growth has been robust while GT remains sluggish. 4) Taken some pricing actions to remain competitive & drive market share gains 5) Market share has been flattish in 1Q with no.2 player losing significant share to local/regional players 6) Expect volume trajectory to improve in upcoming quarters 7) GM likely to remain stable given low-single digit inflation in wheat 8) A&P spends to remain in band of 3.5-4% of revenues 9) Dairy biz saw robust volumes/revenues in Jun'23 led by milkshakes 10) Supply of SMP, SCM & butter has started to dairy unit, it will provide cost advantages as plants scale up 11) Dairy Innovation contribution at 10%+; NPD to remain in 4-5% band 12) Enhance factory capacities in Ranjangaon, Bihar and Odisha 13) Capex of Rs4-4.5bn in FY24 14) ICD at Rs7.6bn in 1Q between Bombay Dyeing and Bombay Burmah

**Exhibit 1: 1QFY24 Consolidated Results: Sales up 8.4%, Margins expanded by 365bps YoY to 17.2%**

Y/e March (Rs m)	1QFY24	1QFY23	YoY gr. (%)	4QFY23	FY23	FY22	YoY gr. (%)
<b>Net Sales</b>	<b>40,107</b>	<b>37,010</b>	<b>8.4</b>	<b>40,232</b>	<b>163,006</b>	<b>141,363</b>	<b>15.3</b>
Gross Profit	16,820	13,648	23.2	18,073	67,093	53,760	24.8
<i>Margins (%)</i>	<i>41.9</i>	<i>36.9</i>	<i>5.1</i>	<i>44.9</i>	<i>41.2</i>	<i>38.0</i>	<i>3.1</i>
Other Expenses	9,931	8,641	14.9	10,064	38,783	31,745	22.2
<i>% of Sales</i>	<i>24.8</i>	<i>23.3</i>	<i>1.4</i>	<i>25.0</i>	<i>23.8</i>	<i>22.5</i>	<i>1.3</i>
<b>EBITDA</b>	<b>6,889</b>	<b>5,007</b>	<b>37.6</b>	<b>8,009</b>	<b>28,309</b>	<b>22,015</b>	<b>28.6</b>
<i>Margins (%)</i>	<i>17.2</i>	<i>13.5</i>	<i>3.6</i>	<i>19.9</i>	<i>17.4</i>	<i>15.6</i>	<i>1.8</i>
Depreciation	708	510	38.9	653	2,259	2,005	12.7
Interest	531	420	26.4	349	1,691	1,443	17.2
Other Income	539	555	(2.8)	564	2,159	2,228	(3.1)
<b>PBT</b>	<b>6,190</b>	<b>4,633</b>	<b>33.6</b>	<b>7,571</b>	<b>26,518</b>	<b>20,795</b>	<b>27.5</b>
Tax	1,665	1,274	30.7	2,035	7,165	5,624	27.4
<i>Tax Rate (%)</i>	<i>26.9</i>	<i>27.5</i>	<i>-0.6</i>	<i>26.9</i>	<i>27.0</i>	<i>27.0</i>	<i>0.0</i>
<b>Adjusted PAT</b>	<b>4,525</b>	<b>3,359</b>	<b>34.7</b>	<b>5,536</b>	<b>19,353</b>	<b>15,172</b>	<b>27.6</b>

Source: Company, PL

**Exhibit 2: Volumes flat YoY; grows 4.7% on 4-year CAGR**



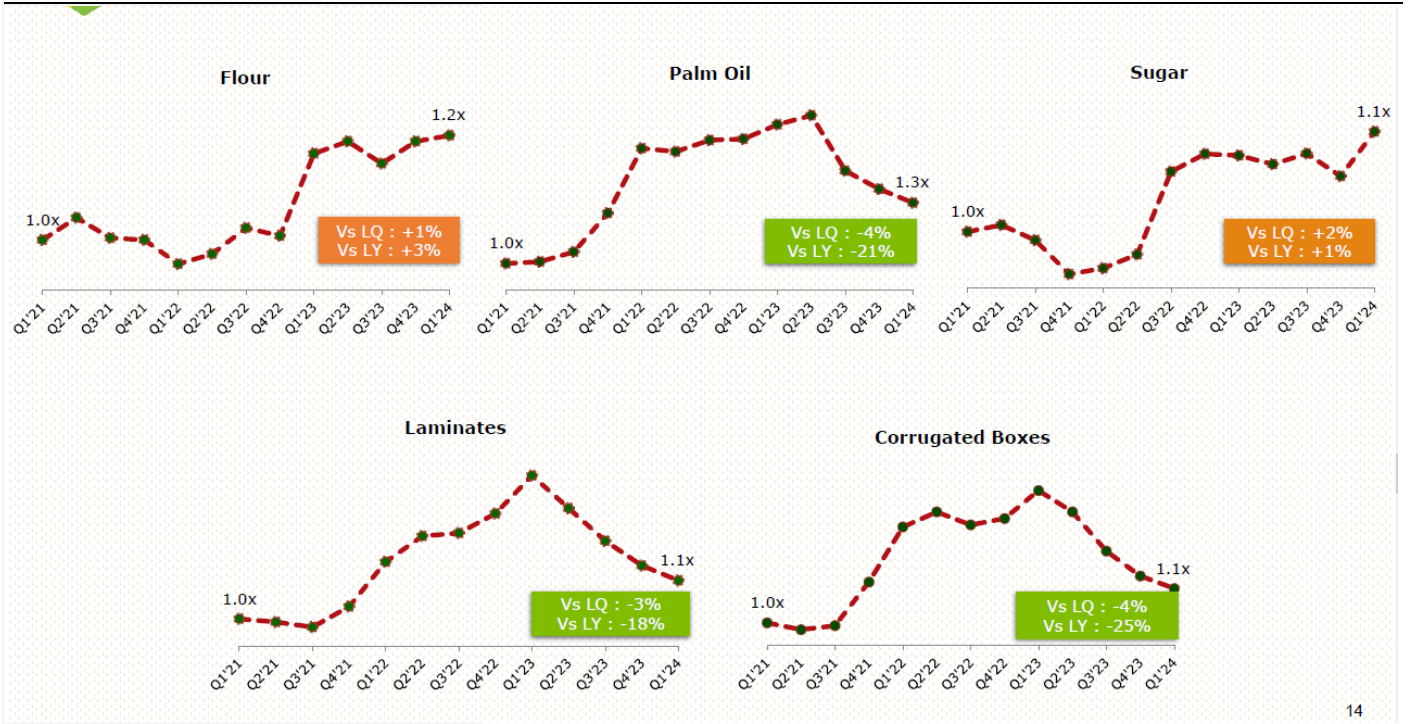
Source: Company, PL

**Exhibit 3: Ramping up facilities in UP & Tamil Nadu**



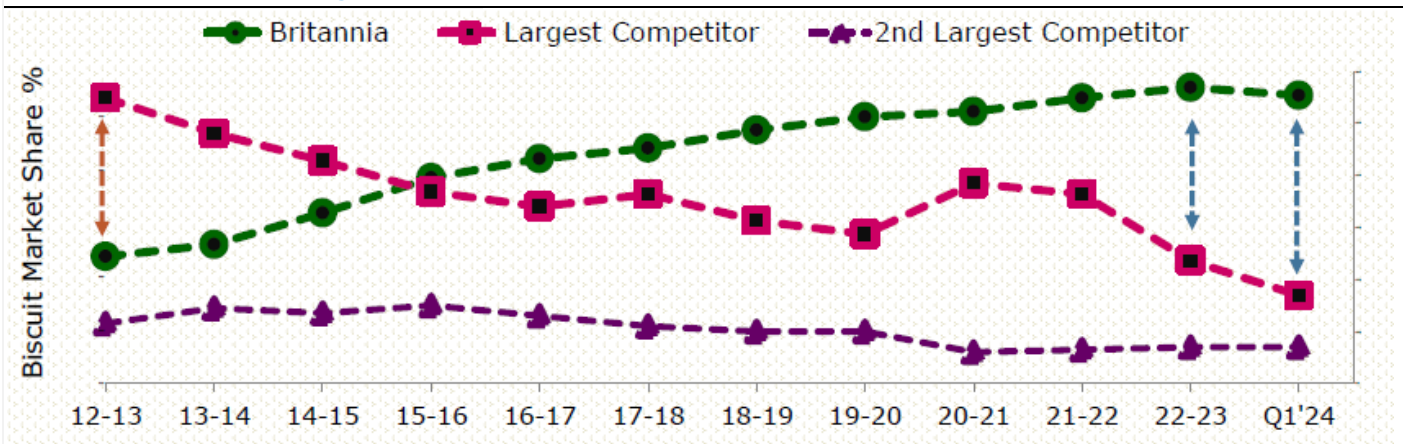
Source: Company, PL

Exhibit 4: Commodity costs remained stable through the quarter



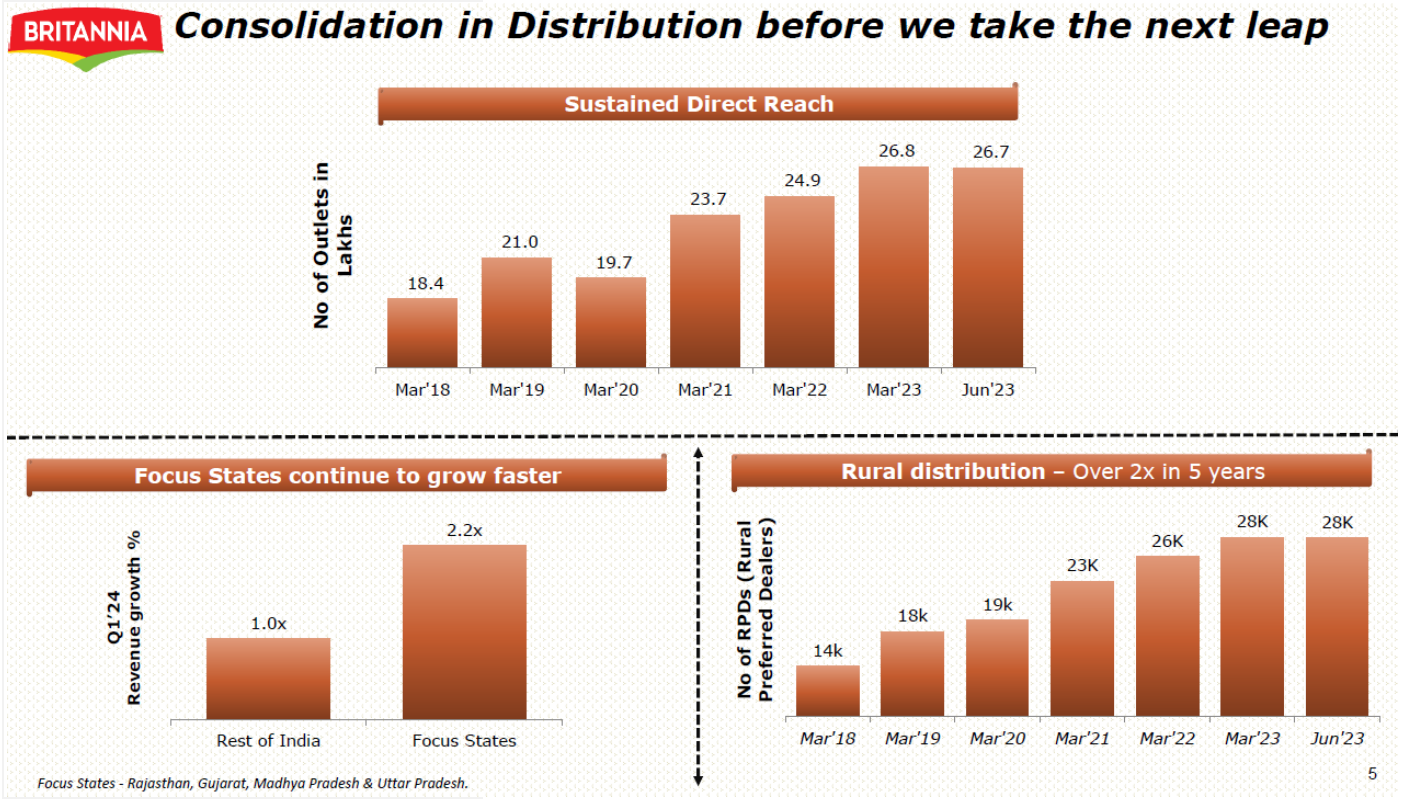
Source: Company, PL

Exhibit 5: BRIT continues to gain market share



Source: Company, PL

Exhibit 6: Rural preferred dealers up at 28k, direct reach stable



Source: Company, PL

Exhibit 7: New launches in biscuits/rusks while innovations continue to scale up

**Bakery**

**New Product launches**

**Jim Jam – Pops**  
Launched in West & MT (All India)

**Multigrain Rusk**  
Launched in West & South

**Innovation - Scaleup**

**50-50 Golmaal**  
Extended to North

**Dairy**

**Yet another robust season for Winkin Cow - Wide range of offerings**

**Rich Milk Shakes**  
Scaled-up in Q1'24

**Transition to PET bottles**  
To upgrade consumer experience

**Coconut water**  
Scaled-up in Q1'24

PET Milkshakes sourced from our new factory

High double-digit growths

Innovation contribution at >10%

7

Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>1,41,363</b>	<b>1,63,006</b>	<b>1,73,001</b>	<b>1,93,012</b>
YoY gr. (%)	7.6	15.3	6.1	11.6
Cost of Goods Sold	87,603	95,913	1,01,257	1,12,940
Gross Profit	53,760	67,093	71,744	80,072
Margin (%)	38.0	41.2	41.5	41.5
Employee Cost	5,423	6,584	7,612	8,300
Other Expenses	557	32,200	588	637
<b>EBITDA</b>	<b>22,015</b>	<b>28,309</b>	<b>30,511</b>	<b>34,471</b>
YoY gr. (%)	(12.3)	28.6	7.8	13.0
Margin (%)	15.6	17.4	17.6	17.9
Depreciation and Amortization	2,005	2,259	3,061	3,207
<b>EBIT</b>	<b>20,010</b>	<b>26,050</b>	<b>27,450</b>	<b>31,264</b>
Margin (%)	14.2	16.0	15.9	16.2
Net Interest	1,443	1,691	2,325	2,113
Other Income	2,228	2,159	2,783	2,546
<b>Profit Before Tax</b>	<b>20,795</b>	<b>26,518</b>	<b>27,908</b>	<b>31,696</b>
Margin (%)	14.7	16.3	16.1	16.4
Total Tax	5,624	7,165	7,461	8,532
Effective tax rate (%)	27.0	27.0	26.7	26.9
<b>Profit after tax</b>	<b>15,172</b>	<b>19,353</b>	<b>20,447</b>	<b>23,164</b>
Minority interest	-	-	-	-
Share Profit from Associate	(2)	54	150	165
<b>Adjusted PAT</b>	<b>15,170</b>	<b>19,407</b>	<b>20,597</b>	<b>23,329</b>
YoY gr. (%)	(18.1)	27.9	6.1	13.3
Margin (%)	10.7	11.9	11.9	12.1
Extra Ord. Income / (Exp)	(10)	3,756	-	-
<b>Reported PAT</b>	<b>15,160</b>	<b>23,163</b>	<b>20,597</b>	<b>23,329</b>
YoY gr. (%)	(18.1)	52.8	(11.1)	13.3
Margin (%)	10.7	14.2	11.9	12.1
Other Comprehensive Income	63	-	-	-
Total Comprehensive Income	15,223	23,163	20,597	23,329
<b>Equity Shares O/s (m)</b>	<b>241</b>	<b>241</b>	<b>241</b>	<b>241</b>
<b>EPS (Rs)</b>	<b>63.0</b>	<b>80.6</b>	<b>85.5</b>	<b>96.8</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>29,483</b>	<b>41,044</b>	<b>46,212</b>	<b>48,386</b>
Tangibles	27,670	39,369	44,477	46,590
Intangibles	1,813	1,675	1,735	1,795
<b>Acc: Dep / Amortization</b>	<b>11,951</b>	<b>14,492</b>	<b>17,553</b>	<b>20,760</b>
Tangibles	11,690	14,241	17,293	20,491
Intangibles	261	251	260	269
<b>Net fixed assets</b>	<b>17,532</b>	<b>26,552</b>	<b>28,659</b>	<b>27,625</b>
Tangibles	15,980	25,128	27,184	26,099
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	1,653	1,815
<b>Current Assets</b>				
Investments	8,337	18,010	12,110	10,616
Inventories	13,675	11,933	11,652	12,996
Trade receivables	3,319	3,289	3,508	3,916
Cash & Bank Balance	1,849	1,980	4,776	2,486
Other Current Assets	1,382	1,807	1,557	1,737
<b>Total Assets</b>	<b>75,274</b>	<b>93,527</b>	<b>91,735</b>	<b>89,403</b>
<b>Equity</b>				
Equity Share Capital	241	241	241	241
Other Equity	25,340	35,102	31,249	35,310
<b>Total Networkth</b>	<b>25,581</b>	<b>35,343</b>	<b>31,490</b>	<b>35,551</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	7,070	15,518	17,098	7,113
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	17,586	14,287	13,608	13,608
Trade payables	13,228	14,488	16,290	18,776
Other current liabilities	10,863	12,825	12,044	13,067
<b>Total Equity &amp; Liabilities</b>	<b>75,274</b>	<b>93,527</b>	<b>91,735</b>	<b>89,403</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	20,795	28,432	27,908	31,696
Add. Depreciation	2,320	2,541	3,061	3,207
Add. Interest	1,443	1,962	2,325	2,113
Less Financial Other Income	2,228	2,159	2,783	2,546
Add. Other	(2,597)	(2,568)	(3,611)	(2,690)
Op. profit before WC changes	21,961	30,367	29,683	34,327
Net Changes-WC	85	5,710	2,220	1,349
Direct tax	(5,624)	(7,236)	(7,461)	(8,532)
<b>Net cash from Op. activities</b>	<b>16,423</b>	<b>28,842</b>	<b>24,442</b>	<b>27,144</b>
Capital expenditures	(6,113)	(12,185)	(4,668)	(2,274)
Interest / Dividend Income	2,228	2,706	2,783	2,546
Others	10,183	(10,688)	5,900	1,494
<b>Net Cash from Inv. activities</b>	<b>6,299</b>	<b>(20,167)</b>	<b>4,015</b>	<b>1,766</b>
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	-	-	-	-
<b>Net cash from Fin. activities</b>	<b>(22,986)</b>	<b>(8,220)</b>	<b>(25,661)</b>	<b>(31,201)</b>
<b>Net change in cash</b>	<b>(265)</b>	<b>455</b>	<b>2,796</b>	<b>(2,290)</b>
Free Cash Flow	10,310	16,657	19,774	24,871

Source: Company Data, PL Research

**Key Financial Metrics**

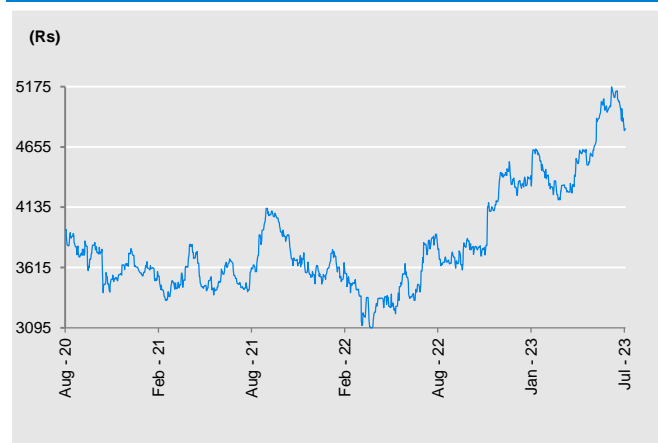
Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	63.0	80.6	85.5	96.8
CEPS	71.3	89.9	98.2	110.2
BVPS	106.2	146.7	130.7	147.6
FCF	42.8	69.1	82.1	103.2
DPS	74.5	72.0	70.0	80.0
<b>Return Ratio(%)</b>				
RoCE	37.5	45.2	43.1	52.8
ROIC	30.7	35.4	36.7	41.0
RoE	49.7	63.7	61.6	69.6
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.6	0.3	0.4	0.2
Net Working Capital (Days)	10	2	(2)	(4)
<b>Valuation(x)</b>				
PER	74.2	58.0	54.6	48.2
P/B	44.0	31.8	35.7	31.6
P/CEPS	65.5	51.9	47.6	42.4
EV/EBITDA	51.8	40.1	37.3	32.9
EV/Sales	8.1	7.0	6.6	5.9
Dividend Yield (%)	1.6	1.5	1.5	1.7

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q2FY23	Q3FY23	Q4FY23	Q1FY24
<b>Net Revenue</b>	<b>43,796</b>	<b>41,968</b>	<b>40,232</b>	<b>40,107</b>
YoY gr. (%)	21.4	17.4	13.3	8.4
Raw Material Expenses	26,746	23,647	22,159	23,287
Gross Profit	17,050	18,321	18,073	16,820
Margin (%)	38.9	43.7	44.9	41.9
<b>EBITDA</b>	<b>7,117</b>	<b>8,176</b>	<b>8,009</b>	<b>6,889</b>
YoY gr. (%)	27.5	51.5	45.7	37.6
Margin (%)	16.3	19.5	19.9	17.2
Depreciation / Depletion	517	580	653	708
<b>EBIT</b>	<b>6,600</b>	<b>7,596</b>	<b>7,356</b>	<b>6,181</b>
Margin (%)	15.1	18.1	18.3	15.4
Net Interest	541	381	349	531
Other Income	532	508	564	539
<b>Profit before Tax</b>	<b>6,591</b>	<b>7,722</b>	<b>7,571</b>	<b>6,190</b>
Margin (%)	15.1	18.4	18.8	15.4
Total Tax	1,686	2,169	2,035	1,665
Effective tax rate (%)	25.6	28.1	26.9	26.9
<b>Profit after Tax</b>	<b>4,905</b>	<b>5,553</b>	<b>5,536</b>	<b>4,525</b>
Minority interest	-	-	-	-
Share Profit from Associates	1	15	40	30
<b>Adjusted PAT</b>	<b>4,906</b>	<b>5,568</b>	<b>5,576</b>	<b>4,555</b>
YoY gr. (%)	28.5	50.4	47.6	35.7
Margin (%)	11.2	13.3	13.9	11.4
Extra Ord. Income / (Exp)	52	3,801	(20)	(5)
<b>Reported PAT</b>	<b>4,958</b>	<b>9,369</b>	<b>5,556</b>	<b>4,550</b>
YoY gr. (%)	30.0	154.3	47.0	32.5
Margin (%)	11.3	22.3	13.8	11.3
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>4,958</b>	<b>9,369</b>	<b>5,556</b>	<b>4,550</b>
Avg. Shares O/s (m)	241	241	241	241
<b>EPS (Rs)</b>	<b>20.4</b>	<b>23.2</b>	<b>23.2</b>	<b>18.9</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jul-23	Hold	4,800	5,174
2	05-May-23	Hold	4,800	4,626
3	11-Apr-23	Hold	4,580	4,258
4	02-Feb-23	Hold	4,580	4,573
5	06-Jan-23	Hold	4,297	4,359
6	07-Nov-22	Hold	4,142	3,804
7	04-Oct-22	Hold	4,026	3,769

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Hold	3,527	3,400
2	Avenue Supermarts	BUY	4,574	3,678
3	Britannia Industries	Hold	4,800	5,174
4	Colgate Palmolive	Hold	1,869	1,898
5	Dabur India	Accumulate	600	555
6	Emami	Accumulate	517	427
7	Hindustan Unilever	Hold	2,775	2,700
8	ITC	Accumulate	478	465
9	Jubilant FoodWorks	Hold	490	476
10	Kansai Nerolac Paints	Accumulate	351	327
11	Marico	Hold	581	574
12	Mold-tek Packaging	Hold	956	1,003
13	Nestle India	Accumulate	23,585	22,325
14	Pidilite Industries	Hold	2,664	2,649
15	Restaurant Brands Asia	Accumulate	146	112
16	Titan Company	Accumulate	3,240	2,977
17	Westlife Foodworld	Accumulate	932	898

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

## ANALYST CERTIFICATION

### (Indian Clients)

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