

November 2, 2023

Q2FY24 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	HOLD		HOLD	
Target Price	4,801		4,612	
Sales (Rs.m)	1,73,877	1,91,703	1,75,303	1,95,110
% Chng.	(0.8)	(1.7)		
EBITDA (Rs.m)	32,616	34,791	30,750	33,403
% Chng.	6.1	4.2		
EPS (Rs.)	90.9	99.4	84.6	93.9
% Chng.	7.5	5.8		

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	1,63,006	1,73,877	1,91,703	2,12,436
EBITDA (Rs. m)	28,309	32,616	34,791	39,171
Margin (%)	17.4	18.8	18.1	18.4
PAT (Rs. m)	19,407	21,901	23,941	27,462
EPS (Rs.)	80.6	90.9	99.4	114.0
Gr. (%)	27.9	12.9	9.3	14.7
DPS (Rs.)	56.5	72.0	76.0	85.0
Yield (%)	1.2	1.6	1.7	1.9
RoE (%)	63.7	58.3	56.0	55.8
RoCE (%)	45.2	43.5	46.7	52.9
EV/Sales (x)	6.8	6.3	5.7	5.1
EV/EBITDA (x)	38.9	33.6	31.3	27.6
PE (x)	56.2	49.8	45.6	39.7
P/BV (x)	30.9	27.4	23.9	20.7

Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.5,270 / Rs.3,705
Sensex / Nifty	64,081 / 19,133
Market Cap	Rs.1,090bn/ \$ 13,099m
Shares Outstanding	241m
3M Avg. Daily Value	Rs.1913.13m

Shareholding Pattern (%)

Promoter's	50.54
Foreign	19.66
Domestic Institution	13.98
Public & Others	15.82
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(0.2)	0.4	21.6
Relative	2.5	(3.9)	15.5

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Tepid volumes, high margin base to impact 2H24

Quick Pointers:

- Volumes up 0.2% amidst heightened competition and tepid demand (rusk sales decline), market share gains continue, cuts price by 1.5%
- New launches run rate at Rs2b+, wheat, sugar and milk prices firming up

We are increasing FY24/25 EPS estimates by 7.5/5.8% on account of margin beat in 2Q led by lower manpower cost and lesser impact of RM inflation due to soft prices of packaging and Palmoil. BRIT continues to gain share led by success of new launches (Jim Jam Pops, 50-50 Golmaal, Makhana and Laughing cow cheese) and distribution expansion. BRIT has reported decline in sales of Rusk (unorganized competition) and has cut prices in select products averaging 1.5% for the portfolio.

We expect tepid profit growth in 2H24 as against 24% PAT growth in 1H24 as 2H23 had 650bps higher gross margins on softened commodity costs, gains from forward contracts and higher other operating income (including one time PLI arrears). We now build in EBITDA margins of 18.1% and 18.8% in FY24/25 as against 17.5% and 17.1% earlier. BRIT's long term growth drivers are intact with 1) rising distribution 2) improving innovation and entry in faster growing adjacencies 3) higher growth in focus states and 4) cost efficiency gains in manufacturing, distribution and procurement. We estimate 9.2%/12.4% sales and PAT CAGR over FY23-26. We value the stock at 45x Sept25EPS and assign a target price of Rs4801 (Rs4612 earlier). Retain Hold.

2Q volumes flattish due to increased competition from regional players:

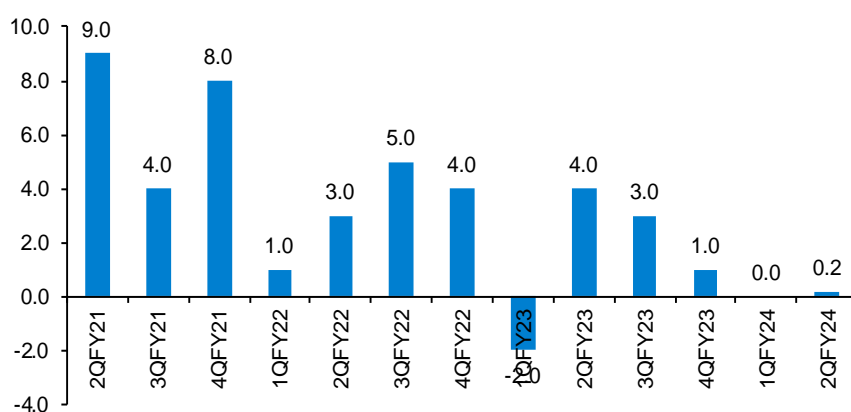
Consolidated Revenues grew by 1.2% YoY to Rs44.3bn (PLe: Rs45.3bn). Gross margins expanded 396bps YoY to 42.9%. (PLe: 41.5%), QoQ GM expanded 110bps out of which 50bps was on account of higher other operating income, mainly due to PLI benefit. EBITDA grew by 22.6% YoY to Rs8.7bn (PLe: Rs7.9bn); Margins expanded by 343bps YoY to 19.7% (PLe:17.4%). Staff cost declined by 18% QoQ which aided margins. PBT grew by 21.3% YoY to Rs 8bn (PLe: Rs 7.1bn). Adjusted PAT grew by 19.8% YoY to Rs5.9bn (PLe:Rs5.2bn). Imputed Subsidiary Sales declined by -60.6% YoY to Rs0.7bn; PAT declined by -4050% YoY to 801.9mn.

Concall Takeaways: 1) BRIT reduced prices by ~1.5% amid increase in competitive intensity from local/regional players 2) Focus states continue to grow faster, albeit at a slower pace 2) New unit in Kenya is facing teething issues while Middle east and Nepal continue to grow well 3) Overall reach has increased with 30% higher direct reach since March19 4) BRIT's innovation strategy (JIM JAM pops, Makhana, Cheese, 50-50 Golmaal and Laughing cow cheese) contributed to annualised run rate of Rs2b+) 5) BRIT will follow a consumption based strategy for biscuits & penetration based strategy for other products 6) RM costs (except flour & sugar) softened this quarter 7) BRIT will remain vigilant on ongoing geo-political issues for volatility in commodity prices 8) Rural market expansion continues in spite of slowdown in rural markets 9) Increased production capacities in Bihar, UP and Tamilnadu, looking at further capacity increase in Ranjangaon

Exhibit 1: 1QFY24 Consolidated Results: Sales up 1.2%, Margins expanded by 343bps YoY to 19.7%

Y/e March (Rs m)	2QFY24	2QFY23	YoY gr. (%)	1QFY24	1HFY24	1HFY23	YoY gr. (%)
Net Sales	44,329	43,796	1.2	40,107	84,436	80,806	4.5
Gross Profit	19,011	17,050	11.5	16,820	35,831	30,699	16.7
<i>Margins (%)</i>	<i>42.9</i>	<i>38.9</i>	<i>4.0</i>	<i>41.9</i>	<i>42.4</i>	<i>38.0</i>	<i>4.4</i>
Other Expenses	10,287	9,933	3.6	9,931	20,218	18,574	8.9
<i>% of Sales</i>	<i>23.2</i>	<i>22.7</i>	<i>0.5</i>	<i>24.8</i>	<i>23.9</i>	<i>23.0</i>	<i>1.0</i>
EBITDA	8,724	7,117	22.6	6,889	15,613	12,124	28.8
<i>Margins (%)</i>	<i>19.7</i>	<i>16.3</i>	<i>3.4</i>	<i>17.2</i>	<i>18.5</i>	<i>15.0</i>	<i>3.5</i>
Depreciation	717	517	38.8	708	1,424	1,026	38.8
Interest	534	541	(1.3)	531	1,065	961	10.8
Other Income	524	532	(1.7)	539	1,063	1,087	(2.3)
PBT	7,997	6,591	21.3	6,190	14,187	11,225	26.4
Tax	2,121	1,686	25.8	1,665	3,787	2,960	27.9
<i>Tax Rate (%)</i>	<i>26.5</i>	<i>25.6</i>	<i>0.9</i>	<i>26.9</i>	<i>26.7</i>	<i>26.4</i>	<i>0.3</i>
Adjusted PAT	5,875	4,905	19.8	4,525	10,400	8,264	25.8

Source: Company, PL

Exhibit 2: 2Q Volumes increased 0.2% on tepid demand, higher competition


Source: Company, PL

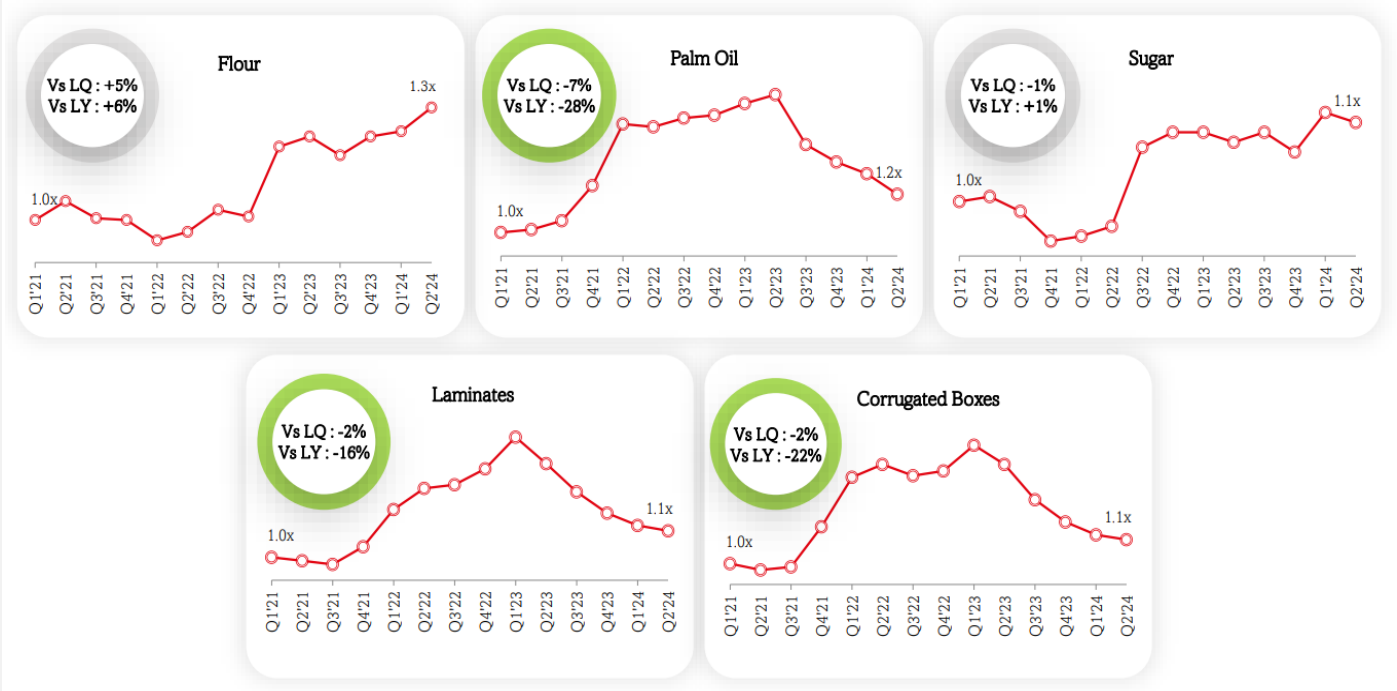
2H23 had one-time gains from arrears of PLI led capacity additions, the other operating income has declined to 1.4% of sales in 1H24 and is likely to decline YoY in 2H24.

Exhibit 3: 2HFY23 other operating had one-time gains from PLI

(Rs mn)	1H22	2H22	1H23	2H23	1H24	2H24E
Other Operating Income	1,096	930	930	2,358	1,150	1,678
% of sales	1.6%	1.4%	1.2%	3.0%	1.4%	2.0%
Gross Margin	36.6%	36.6%	36.2%	42.6%	40.8%	41.6%
EBIDTA margin	15.8%	15.4%	15.0%	20.0%	18.5%	18.7%
Overheads	20.8%	21.2%	21.2%	22.6%	22.3%	22.9%

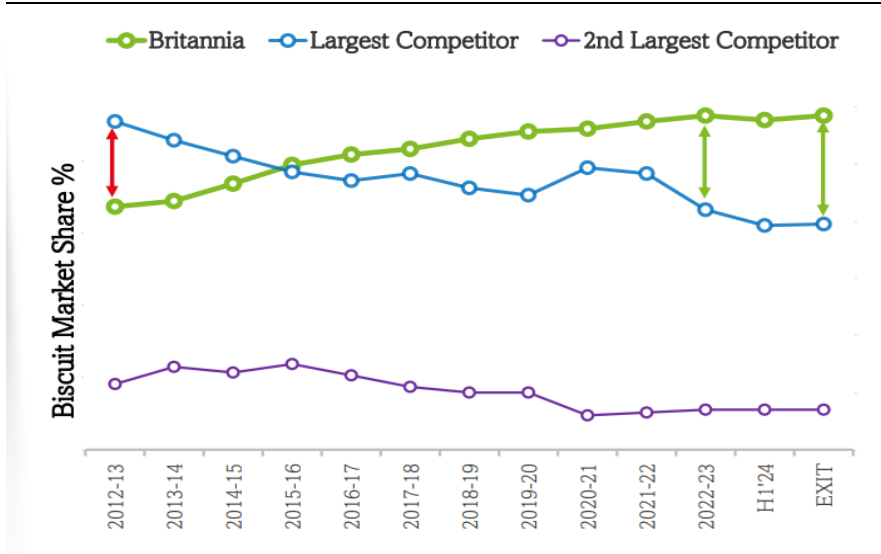
Source: Company, PL

Exhibit 4: Commodity costs softened in Q2 except wheat flour and sugar



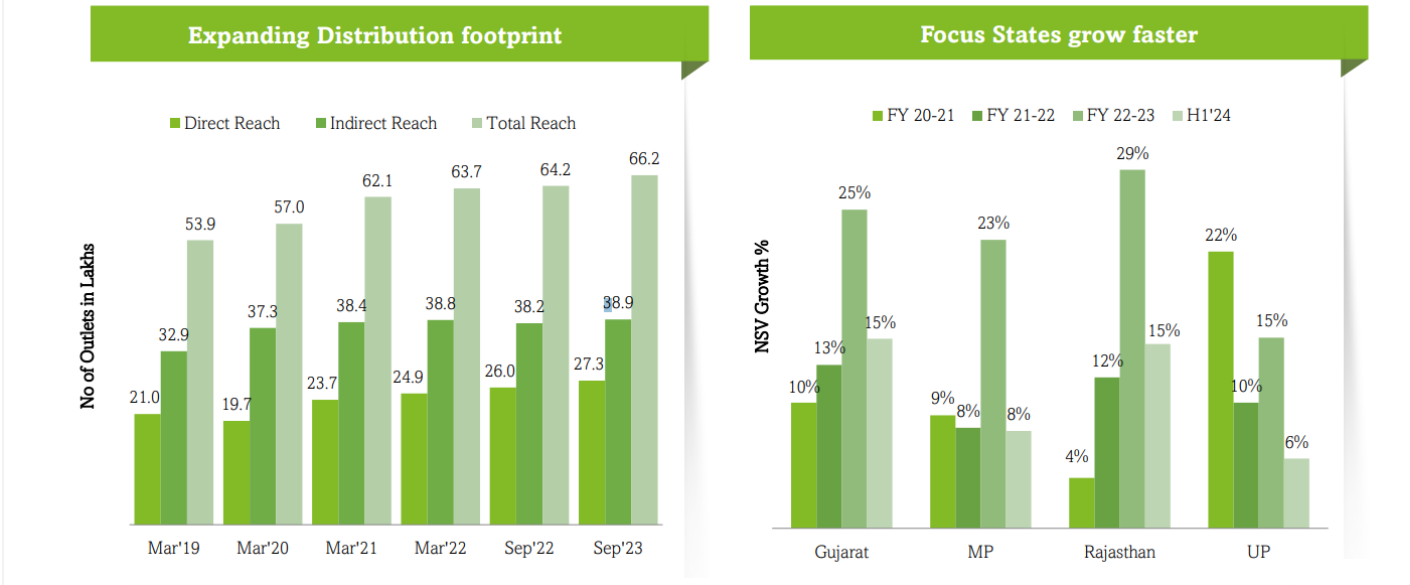
Source: Company, PL

Exhibit 5: BRIT continues to increase gap with 2nd largest player in biscuits



Source: Company, PL

Exhibit 6: Total reach expanded to 6.6mn outlets in Q2, focus states growing faster, albeit at a slower pace

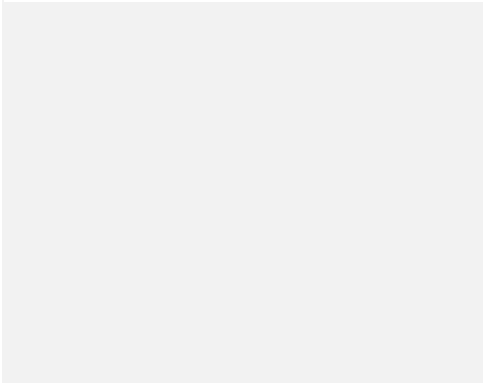


Source: Company, PL

Exhibit 7: New launches achieve annual run rate of Rs2b+

Revenue contribution of these products at Rs 200+ Crs (Annualized)

Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	1,63,006	1,73,877	1,91,703	2,12,436
YoY gr. (%)	15.3	6.7	10.3	10.8
Cost of Goods Sold	95,913	99,997	1,12,273	1,23,832
Gross Profit	67,093	73,880	79,430	88,604
Margin (%)	41.2	42.5	41.4	41.7
Employee Cost	6,584	7,477	7,860	8,710
Other Expenses	1,065	1,130	1,150	1,275
EBITDA	28,309	32,616	34,791	39,171
YoY gr. (%)	28.6	15.2	6.7	12.6
Margin (%)	17.4	18.8	18.1	18.4
Depreciation and Amortization	2,259	3,068	2,780	2,933
EBIT	26,050	29,549	32,010	36,238
Margin (%)	16.0	17.0	16.7	17.1
Net Interest	1,691	2,629	2,115	1,547
Other Income	2,159	2,559	2,348	2,318
Profit Before Tax	26,518	29,479	32,243	37,009
Margin (%)	16.3	17.0	16.8	17.4
Total Tax	7,165	7,578	8,302	9,547
Effective tax rate (%)	27.0	25.7	25.7	25.8
Profit after tax	19,353	21,901	23,941	27,462
Minority interest	-	-	-	-
Share Profit from Associate	54	-	-	-
Adjusted PAT	19,407	21,901	23,941	27,462
YoY gr. (%)	27.9	12.9	9.3	14.7
Margin (%)	11.9	12.6	12.5	12.9
Extra Ord. Income / (Exp)	3,756	-	-	-
Reported PAT	23,163	21,901	23,941	27,462
YoY gr. (%)	52.8	(5.4)	9.3	14.7
Margin (%)	14.2	12.6	12.5	12.9
Other Comprehensive Income	153	-	-	-
Total Comprehensive Income	23,316	21,901	23,941	27,462
Equity Shares O/s (m)	241	241	241	241
EPS (Rs)	80.6	90.9	99.4	114.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	41,500	47,170	49,845	52,526
Tangibles	39,776	45,386	48,001	50,622
Intangibles	1,724	1,784	1,844	1,904
Acc: Dep / Amortization	14,948	18,016	20,796	23,729
Tangibles	14,648	17,704	20,473	23,396
Intangibles	300	312	323	333
Net fixed assets	26,552	29,154	29,049	28,797
Tangibles	25,128	27,682	27,528	27,226
Intangibles	1,424	1,472	1,521	1,571
Capital Work In Progress	1,050	550	650	750
Goodwill	-	-	-	-
Non-Current Investments	16,968	16,992	17,017	17,046
Net Deferred tax assets	554	581	611	641
Other Non-Current Assets	922	972	1,048	1,133
Current Assets				
Investments	18,010	12,171	11,502	20,181
Inventories	11,933	11,507	12,919	14,249
Trade receivables	3,289	3,516	3,880	3,729
Cash & Bank Balance	1,980	12,836	10,020	6,823
Other Current Assets	1,807	1,565	1,725	1,912
Total Assets	93,527	1,00,482	99,349	1,06,517
Equity				
Equity Share Capital	241	241	241	241
Other Equity	35,102	39,611	45,413	52,567
Total Networth	35,343	39,852	45,654	52,808
Non-Current Liabilities				
Long Term borrowings	15,518	17,098	7,113	4,113
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	14,287	13,623	13,623	13,623
Trade payables	14,488	15,042	16,842	18,435
Other current liabilities	12,825	13,662	14,829	16,157
Total Equity & Liabilities	93,527	1,00,482	99,349	1,06,517

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	26,518	29,479	32,243	37,009
Add. Depreciation	2,997	3,068	2,780	2,933
Add. Interest	1,691	2,629	2,115	1,547
Less Financial Other Income	2,159	2,559	2,348	2,318
Add. Other	(2,021)	(2,585)	(2,396)	(2,373)
Op. profit before WC changes	29,184	32,590	34,742	39,117
Net Changes-WC	5,387	1,657	741	1,229
Direct tax	(7,165)	(7,578)	(8,302)	(9,547)
Net cash from Op. activities	27,407	26,670	27,180	30,799
Capital expenditures	(12,641)	(5,170)	(2,775)	(2,781)
Interest / Dividend Income	2,159	2,559	2,348	2,318
Others	(10,688)	5,839	669	(8,679)
Net Cash from Inv. activities	(21,171)	3,228	242	(9,142)
Issue of share cap. / premium	8,381	(3,719)	(794)	(1,998)
Debt changes	5,150	916	(9,985)	(3,000)
Dividend paid	(17,945)	(13,609)	(17,345)	(18,308)
Interest paid	(1,691)	(2,629)	(2,115)	(1,547)
Others	-	-	-	-
Net cash from Fin. activities	(6,105)	(19,041)	(30,238)	(24,854)
Net change in cash	131	10,857	(2,817)	(3,197)
Free Cash Flow	14,766	21,500	24,405	28,018

Source: Company Data, PL Research

Quarterly Financials (Rs m)

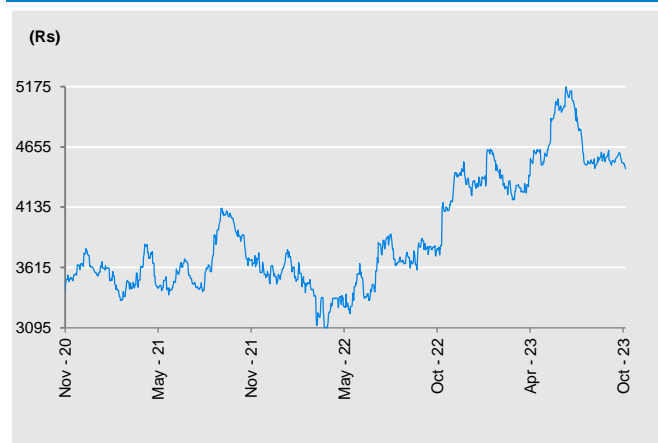
Y/e Mar	Q3FY23	Q4FY23	Q1FY24	Q2FY24
Net Revenue	41,968	40,232	40,107	44,329
YoY gr. (%)	17.4	13.3	8.4	1.2
Raw Material Expenses	23,647	22,159	23,287	25,318
Gross Profit	18,321	18,073	16,820	19,011
Margin (%)	43.7	44.9	41.9	42.9
EBITDA	8,176	8,009	6,889	8,724
YoY gr. (%)	51.5	45.7	37.6	22.6
Margin (%)	19.5	19.9	17.2	19.7
Depreciation / Depletion	580	653	708	717
EBIT	7,596	7,356	6,181	8,007
Margin (%)	18.1	18.3	15.4	18.1
Net Interest	381	349	531	534
Other Income	508	564	539	524
Profit before Tax	7,722	7,571	6,190	7,997
Margin (%)	18.4	18.8	15.4	18.0
Total Tax	2,169	2,035	1,665	2,121
Effective tax rate (%)	28.1	26.9	26.9	26.5
Profit after Tax	5,553	5,536	4,525	5,875
Minority interest	-	-	-	-
Share Profit from Associates	15	40	30	(10)
Adjusted PAT	5,568	5,576	4,555	5,865
YoY gr. (%)	50.4	47.6	35.7	19.6
Margin (%)	13.3	13.9	11.4	13.2
Extra Ord. Income / (Exp)	3,801	-	(5)	29
Reported PAT	9,369	5,576	4,550	5,894
YoY gr. (%)	154.3	47.5	32.5	18.9
Margin (%)	22.3	13.9	11.3	13.3
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	9,369	5,576	4,550	5,894
Avg. Shares O/s (m)	241	241	241	241
EPS (Rs)	23.2	23.2	18.9	24.4

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	80.6	90.9	99.4	114.0
CEPS	89.9	103.6	110.9	126.2
BVPS	146.7	165.4	189.5	219.2
FCF	61.3	89.2	101.3	116.3
DPS	56.5	72.0	76.0	85.0
Return Ratio(%)				
RoCE	45.2	43.5	46.7	52.9
ROIC	35.4	39.2	41.1	45.6
RoE	63.7	58.3	56.0	55.8
Balance Sheet				
Net Debt : Equity (x)	0.3	0.1	0.0	(0.2)
Net Working Capital (Days)	2	0	0	(1)
Valuation(x)				
PER	56.2	49.8	45.6	39.7
P/B	30.9	27.4	23.9	20.7
P/CEPS	50.3	43.7	40.8	35.9
EV/EBITDA	38.9	33.6	31.3	27.6
EV/Sales	6.8	6.3	5.7	5.1
Dividend Yield (%)	1.2	1.6	1.7	1.9

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Oct-23	Hold	4,612	4,538
2	07-Aug-23	Hold	4,500	4,670
3	06-Jul-23	Hold	4,800	5,174
4	05-May-23	Hold	4,800	4,626
5	11-Apr-23	Hold	4,580	4,258
6	02-Feb-23	Hold	4,580	4,573
7	06-Jan-23	Hold	4,297	4,359
8	07-Nov-22	Hold	4,142	3,804

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	3,387	2,960
2	Avenue Supermarts	BUY	4,724	3,920
3	Britannia Industries	Hold	4,612	4,538
4	Colgate Palmolive	Hold	1,948	2,034
5	Dabur India	Accumulate	597	547
6	Emami	Accumulate	524	527
7	Hindustan Unilever	Hold	2,786	2,548
8	ITC	Accumulate	492	450
9	Jubilant FoodWorks	Hold	505	529
10	Kansai Nerolac Paints	Accumulate	351	324
11	Marico	Hold	556	532
12	Metro Brands	Accumulate	1,231	1,208
13	Mold-tek Packaging	Hold	956	892
14	Nestle India	Accumulate	25,471	24,245
15	Pidilite Industries	Hold	2,610	2,454
16	Restaurant Brands Asia	Accumulate	142	125
17	Titan Company	Accumulate	3,312	3,310
18	Westlife Foodworld	Hold	844	883

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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