

Britannia

7th July, 2016

Company Update

CMP	2834
Target Price	3270
Previous Target Price	-
Upside	15%
Change from Previous	-

Market Data

BSE Code	500825
NSE Symbol	BRITANNIA
52wk Range H/L	3435/2507
Mkt Capital (Rs Cr)	34,004
Av. Volume(,000)	239
Nifty	8,336

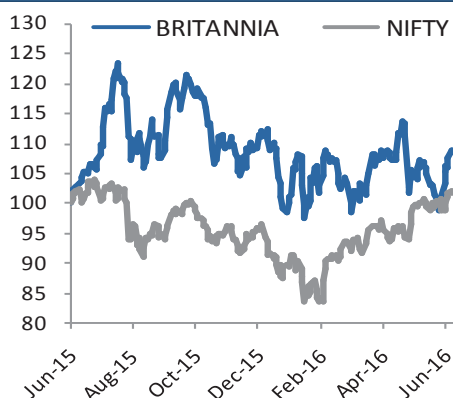
Stock Performance

	1M	3M	12M
Absolute	2.6	6.6	2.3
Rel.to Nifty	1.2	-0.8	4.1

Share Holding Pattern-%

	4QFY16	3QFY16	2QFY16
Promoters	50.7	50.7	50.7
Public	49.3	49.3	49.3
DII	0.0	0.0	0.0
Others	100.0	100.0	100.0

Company Vs NIFTY



The company had reported sales largely in line to our estimate but PAT was slightly below than our expectation (due to rise in input prices) in 4QFY16. Going forward, management is expecting 5% inflation in input prices and ready to cut promotion and increase prices going forwards. Presently company has used all levers to control its cost such as reducing its conversion cost and keeping tight control on expenses. The company's upward revision of prices may lead lower volume growth in FY17. But as monsoon is better so far and it is expected to be stronger going forward. We expect pick up in rural demand from 3rd quarter FY17 onwards which may compensate demand shortage due to price hike. On the other hand, management's thrust on improving distribution reach and launching organoleptically delightful products will yield handsome returns in times to come. Presently, BRITANNIA has corrected over 20% from its 52 week high. Considering all this we initiate 'BUY' in this stock with target price of Rs 3270.

Q4FY16_Result Update

The company has reported revenue growth of 7% YoY in 4QFY16. Its revenue grew by 7% YoY to Rs2211 cr led by double digit volume growth. The company's realization has declined by approx. 2% in this quarter. Gross margin declined 35 bps YoY to 42.1% led by rising input prices such as flour, sugar and crude oil. EBITDA grew by 15% YoY to Rs291 cr. EBITDA margin improves by 86 bps YoY to 13.2% led by lower Conversion cost. Conversion cost as a percentage of sales declined by 86 bps YoY to 4.9%. The company's PAT margin improved by 49 bps YOY to 8.6%. The company has reported PAT of Rs 190 cr for 4QFY16.

FY16 result update

The company's sales grew by 10% to Rs 8679 cr in FY16 led by double digit volume growth. Volume growth for Britannia remained 11% in FY16. EBITDA grew by 42% in FY16 to Rs 1227 cr. Gross margin improved by 211 bps YoY to 42.4% led by benign input prices. EBITDA margin improved by 314 bps led by lower other expenses. PAT margin improved by 53 bps to 9.3% in FY16. The company has reported Rs 806 cr PAT in FY16. The company has strengthened its distribution reach in FY16. The company has added 60000 outlets in 4QFY16. It has narrowed the gap with nearest competitor by 0.4 million outlets since 2013.

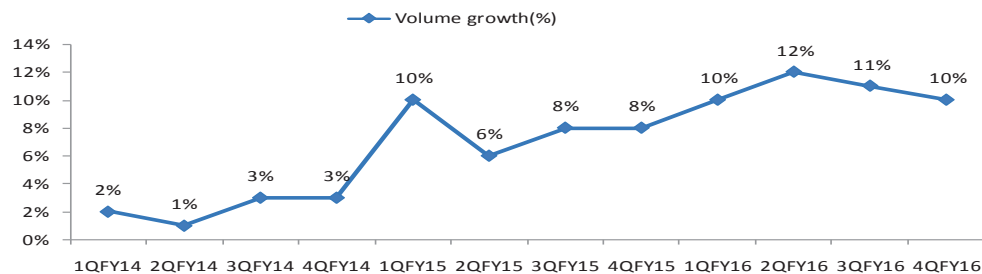
	Rs,Cr				
Financials	2013	2014	2015	2016	2017E
Sales	6185	6913	7858	8679	9324
EBITDA	421	627	864	1227	1271
Net Profit	260	396	689	806	847
EPS	22	33	57	67	71
ROE	47%	50%	55%	46%	37%

(Source: Company/Eastwind)

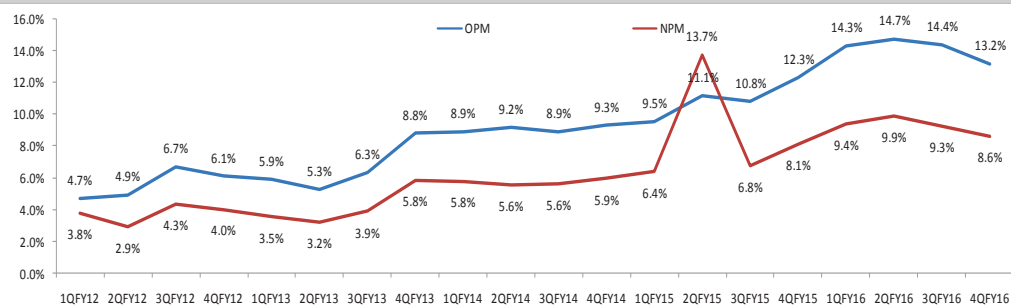
Key takeaways from Conference call(4QFY16):

- Demand situation will be challenging for 2 quarters.
- Passed benefits of low input prices to consumers in 4QFY16.
- Market share has grown in Gujarat, MP and Rajasthan.
- Inputs prices: are going up. Expected 5% input inflation in FY17.
- Restructuring dairy business. It will take 3-4 months.
- Distribution reach: Total biscuits distributed: 7.6million outlets, Britannia: 4.6 million outlets and nearest largest competitor 5.7 million outlets.
- Capex: in FY16: Rs 211 cr and in FY17 (expected): Rs 400 cr excluding dairy capex.
- Middle East subsidiary contributes 7% of total revenue. Company's effort to make it to 15%.
- Expected Ad& P expenses: 8.6% (% sales)for FY17.
- Long term loans and advances (inter corporate deposit to related parties) increased to Rs 350cr.

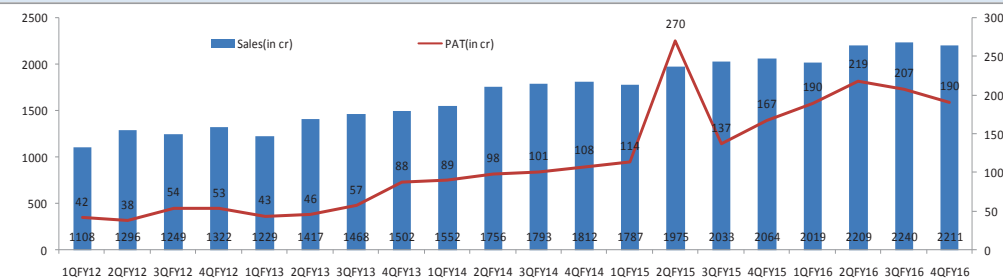
Volume growth (%)



OPM and NPM(%)



Sales and PAT



Source: Eastwind/Company

Financials Snap Shot

INCOME STATEMENT

	FY14	FY15	FY16	FY17E
Revenue	6913	7858	8679	9324
Other Income	34	88	100	103
Total Revenue	6946	7946	8779	9427
COGS	4171	4692	4999	5499
GPM	39.7%	40.3%	42.4%	41.0%
Other Expenses	1852	2022	2117	2213
EBITDA	627	864	1227	1271
EBITDA Margin (%)	9%	11%	14%	14%
Depreciation	83	144	113	127
EBIT	544	719	1113	1143
Interest	8	4	5	5
PBT	569	804	1208	1241
Tax	174	261	392	394
Tax Rate (%)	30%	32%	32%	32%
Reported PAT	396	689	806	847
Dividend Paid(including d	119	169	231	290
No. of Shares	12	12	12	12

Source: Eastwind/Company

RATIOS

	FY14	FY15	FY16	FY17E
EPS	33.0	57.4	67.2	70.6
Book Value	66.2	103.5	147.2	189.1
DPS	8.5	12.0	16.0	20.2
Payout	26%	21%	24%	29%
Valuation(x)				
P/E	15.9	17.2	39.6	40.0
Price / Book Value	7.9	9.5	18.1	15.0
Dividend Yield (%)	2%	1%	1%	1%
Profitability Ratios				
RoE	50%	55%	46%	37%
RoCE	66%	56%	62%	49%
Turnover Ratios				
Asset Turnover (x)	3	3	3	2
Debtors (No. of Days)	6	6	7	7
Inventory (No. of Days)	37	31	32	32
Creditors (No. of Days)	29	33	31	31
Net Debt/Equity (x)	0.04	0.03	0.02	0.02

Source: Eastwind/Company

BALANCE SHEET

	FY14	FY15	FY16	FY17E
Share Capital	24	24	24	24
Reserves	770	1218	1742	2245
Net Worth	794	1242	1766	2269
Long term Debt	28	43	41	41
Short term Debt	120	97	86	86
Deferred Tax	9	0	0	0
Total Capital Employed	822	1285	1807	2310
Net Fixed Assets	848	782	924	1324
Capital WIP	107	48	0	0
Debtors	109	136	171	183
Cash & Bank Balances	109	226	88	68
Trade payables	557	703	742	797
Total Provisions	332	423	509	594
Net Current Assets	-80	293	175	277
Total Assets	2107	2793	3457	4118

Source: Eastwind/Company

CASH FLOW STATEMENT

	FY14	FY15	FY16E	FY17E
OP/(Loss) before Tax	569	950	1198	1241
Depreciation	83	144	113	127
Direct Taxes Paid	186	301	392	394
Operating profit before v	631	861	1316	1374
CF from Op. Activity	671	584	655	961
Purchase of Non Current	-84	-277	0	0
Capital expenditure on fi	-110	-118	-256	-527
CF from Inv. Activity	-246	-450	-497	-631
Repayment of Long Term	-6	17	-3	0
Interest Paid	-9	-3	-5	-5
Divd Paid (incl Tax)	-119	-168	-231	-290
CF from Fin. Activity	-357	-181	-249	-295
Inc/(Dec) in Cash	69	-47	-91	35
Add: Opening Balance	22	90	226	88
Closing Balance	90	43	136	122

Source: Eastwind/Company