

Britannia

28th March 2016

Company Update

CMP	2720
Target Price	3200
Previous Target Price	-
Upside	18%
Change from Previous	-

Market Data

BSE Code	500825
NSE Symbol	BRITANNIA
52wk Range H/L	3434/2006
Mkt Capital (Rs Cr)	16021
Av. Volume(,000)	108
Nifty	7717

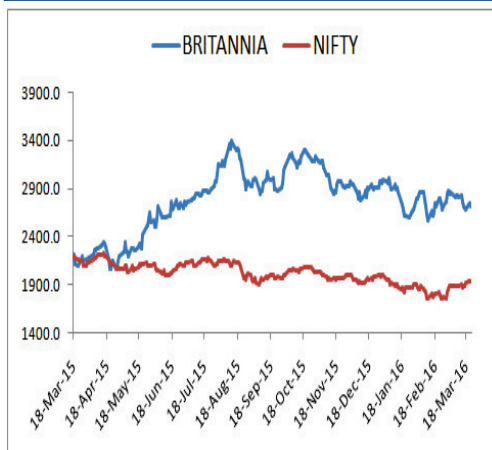
Stock Performance

	1M	3M	12M
Absolute	-3%	-6%	24%
Rel.to Nifty	-9%	-4%	35%

Share Holding Pattern-%

	2QFY16	1QFY16	4QFY15
Promoters	50.7	50.7	50.8
FII	19.8	20.0	19.1
DII	8.8	9.0	9.2
Others	20.6	20.3	21.0

Company Vs NIFTY



Britannia's consolidated total revenue grew by 11% YoY to 2224 cr driven by double digit volume growth. Net revenue growth was affected by 100 bps due to phasing out of exercise duty incentive available to the company. The gross profit margin improved by 226 bps YoY to 42.3% driven by favorable input prices while operating profit margin improved by 357 bps YoY to 14.4% on the back of better operating efficiency and premiumisation of the products. Conversion charges and other expenditures were down by 70 bps and 100 bps respectively. As the result operating profit grew by 46.7% YoY to Rs. 321.9 cr and adjusted PAT grew by 43.7% YoY to Rs. 214.4 cr. The company initiative to focus on Hindi speaking region is working in favor of company and this segment registered 20% growth in 3QFY16.

Despite of sluggishness in industry average growth, Britannia performed strong in most of counts (double digit volume growth, healthy top line growth and margin expansion). We have Buy rating on the stock with price target of Rs. 3200/share.

Targeting the capex of Rs. 850-900 cr in FY17

The company is expected to do capex to the tune of Rs. 850- 900 cr in FY17 in Kandla Gujaart and this plant will be equipped with start of art technology which will help to achieve operational efficiency by lowering the cost. The company has started commercial production in Tamil Naddu plant while its Chittoor plant in Andhra Pradesh is expected to be operational by end of this fiscal. Due to increase in prices, operational efficiency and premiumization of products, the company is very hopeful to maintain margin at the current level in near future.

Dairy expansion plan

International business saw strong growth while dairy business reported flattish growth during the quarter. The revenue contributions from both the segments were around 5% each. The company is working on a blueprint for expansion of dairy business with focus on establishing a fully integrated supply chain. In term of products, Britannia will initially start with focus on existing products like milk power, condense milk, cheese and will later expand in other products.

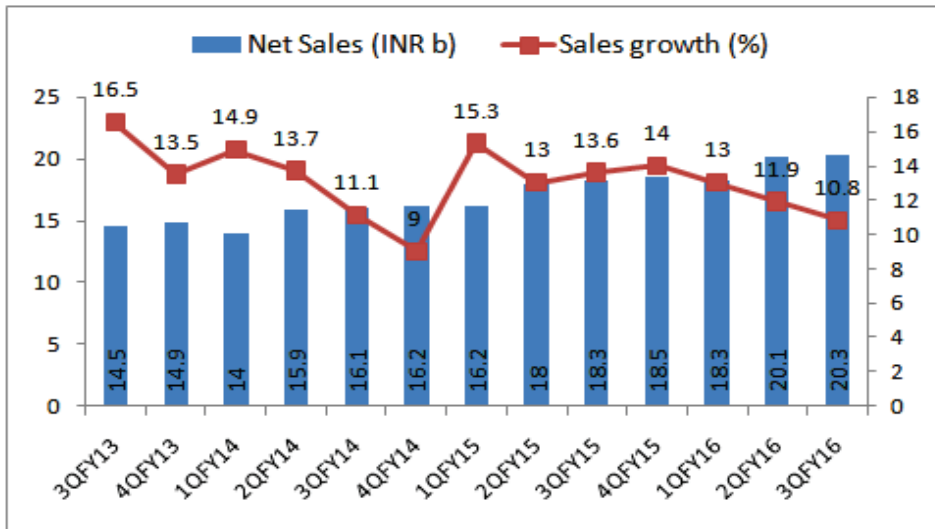
Key Risk to earnings and Target Price

The trend of key (Flour, Butter , Sugar and Cashew) input prices will be key risk to our target price.

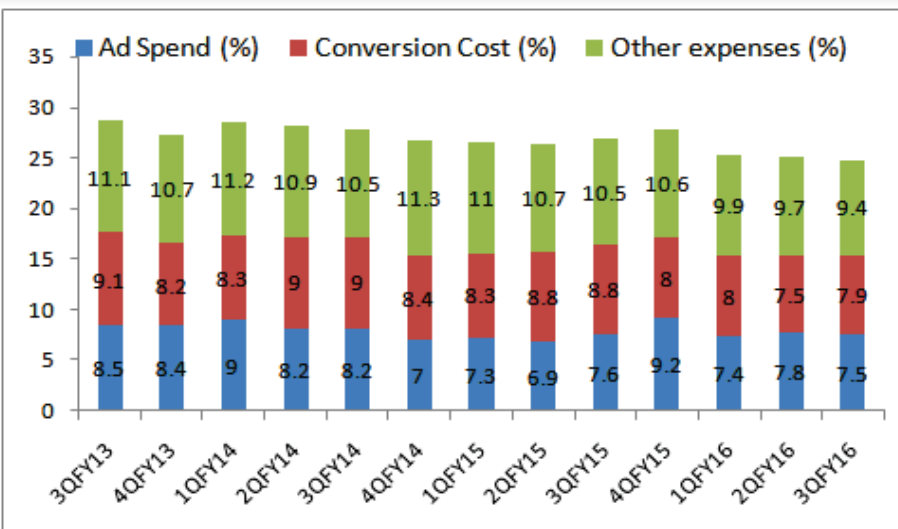
	Rs,Cr				
Financials	2012	2013	2014	2015	2016E
Sales	5485	6185	6913	7858	8740
EBITDA	311	421	627	864	1239
Net Profit	200	260	396	689	816
EPS	17	22	33	57	68
ROE	49%	47%	50%	55%	46%

(Source: Company/Eastwind)

Standalone sales grew 10.8% YoY with 11% volume growth

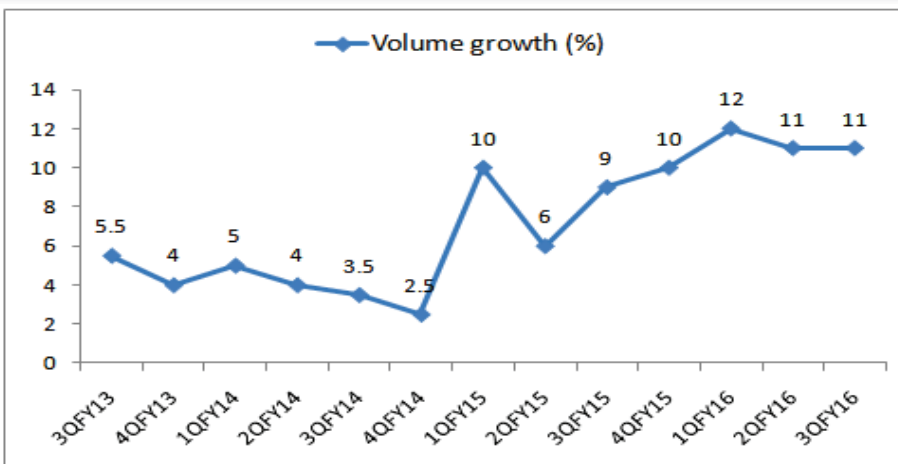


Benefit of cost rationalization; other expense down by 110 bps



Other expenses down 110bps YoY; benefits of cost rationalization initiatives

Double digit volume growth continued



Financials Snap Shot

INCOME STATEMENT

	FY13	FY14	FY15	FY16E
Revenue	6185	6913	7858	8663
Other Income	52	34	88	87
Total Revenue	6238	6946	7946	8750
COGS	3861	4171	4692	4935
GPM	37.6%	39.7%	40.3%	43.0%
Other Expenses	1677	1852	2022	2097
EBITDA	421	627	864	1301
EBITDA Margin (%)	7%	9%	11%	15%
Depreciation	73	83	144	109
EBIT	347	544	719	1192
Interest	41	8	4	4
PBT	358	569	804	1275
Tax	99	174	261	418
Tax Rate (%)	27%	30%	32%	33%
Reported PAT	260	396	689	857
Dividend Paid	118	119	224	253
No. of Shares	12	12	12	12

Source: Eastwind/Company

RATIOS

	FY13	FY14	FY15	FY16E
EPS	21.8	33.0	57.4	71.5
Book Value	46.1	66.2	103.5	151.3
DPS	9.9	9.9	18.7	21.1
Payout (incl. Div. Tax.)	45%	30%	33%	29%
Valuation(x)				
P/E	24.1	15.9	17.2	41.6
Price / Book Value	11.4	7.9	9.5	18.9
Dividend Yield (%)	2%	2%	2%	1%
Profitability Ratios				
RoE	47%	50%	55%	46%
RoCE	60%	66%	56%	59%
Turnover Ratios				
Asset Turnover (x)	3	3	3	2
Debtors (No. of Days)	7	6	6	6
Inventory (No. of Days)	22	22	22	22
Creditors (No. of Days)	23	29	29	33
Net Debt/Equity (x)	0.0	0.0	0.0	0.0

Source: Eastwind/Company

BALANCE SHEET

	FY13	FY14	FY15	FY16E
Share Capital	24	24	24	24
Reserves	527	770	1218	1791
Net Worth	551	794	1242	1815
Long term Debt	27	28	43	89
Short term Debt	314	120	97	97
Deferred Tax	13	9	0	0
Total Capital Employed	578	822	1285	1904
Net Fixed Assets	785	848	782	929
Capital WIP	147	107	0	0
Debtors	123	109	136	175
Cash & Bank Balances	103	109	226	377
Trade payables	394	557	703	782
Total Provisions	279	332	423	536
Net Current Assets	-83	-80	293	792
Total Assets	1883	2107	2793	3686

Source: Eastwind/Company

CASH FLOW STATEMENT

	FY13	FY14	FY15	FY16E
OP/(Loss) before Tax	358	569	950	1220
Depreciation	73	83	144	111
Direct Taxes Paid	89	186	301	393
Operating profit before v	425	631	861	1335
CF from Op. Activity	320	671	584	723
Purchase of Non Current	155	-84	-277	0
Capital expenditure on fi	-225	-110	-118	-386
CF from Inv. Activity	28	-246	-450	-633
Repayment of Long Term	-402	-6	17	0
Interest Paid	-42	-9	-3	-4
Divd Paid (incl Tax)	-118	-119	-168	-253
CF from Fin. Activity	-378	-357	-181	-257
Inc/(Dec) in Cash	-30	69	-47	-167
Add: Opening Balance	52	22	90	43
Closing Balance	22	90	43	-124

Source: Eastwind/Company