




Britannia Industries Ltd.

Industry Cons. Staples
Bloomberg BRIT IN
BSE CODE 500825

EBITDA margin expansion with lower taxes led to strong PAT growth.

RATING	NEUTRAL
CMP	3451
Price Target	3230
Potential Upside	-6%

Rating Change	
Estimate Change	
Target Change	

Stock Info

52wk Range H/L	3705/2101
Mkt Capital (Rs Cr)	83130
Free float (%)	49%
Avg. Vol 1M (,000)	1185
No. of Shares (Cr)	24
Promoters Pledged %	NA

4QFY20 Result Update

- ❑ Britannia's numbers for 4QFY20 was better than our expectation, sales grew by 2% YoY to Rs 2868 cr(vs our expectation of Rs 2743 cr) impacted by Covid-19 related lock down .
- ❑ As per Feb20, the company's Direct Reach went up to 22.2 lakh outlets (from 21.7 lakh in 3QFY20) while Rural distribution remained to 21000 RPD's.
- ❑ The company witnessed better demand growth in Jan and Feb as compared to last 9 months with better traction form rural market but last 10 days of March has impacted the company's sales and PAT by 7-10%.
- ❑ Inflation in key commodities like Palm oil(up by 18%) and milk prices(up by ~50%) led to deterioration in gross margin by 152 bps YoY to 39.67 % while EBITDA margin improved by 24 bps YoY to 15.8% led by lower other expenses by 212 bps YoY. The company has accelerated its cost saving initiatives. Company has reduced total distance travelled from 370 km to 280 km in last 3 months.
- ❑ The company has reported PAT growth of 27% YoY to Rs372 cr (Vs our expectation of Rs 315 cr) on the back of higher other income(Rs 79 cr vs Rs 62 cr in 4QFY19) and lower provisioning of taxes(Rs 85 cr vs Rs 156 cr in 4QFY19) .

View and Valuation

Britannia has posted numbers better than our expectations. Positive for the quarter was EBITDA margin expansion in spite of inflation in key raw materials prices. Proactive measures of the management to overcome covid-19 related issues, has resulted in market share gain for the company. The company accelerated its cost efficiency measures with reduction in promotion and trade spends. Going forwards, we expect Britannia to do relatively better as company has made a lead by dealing Covid-19 situation better than most of the other players in the same space. We remain positive on Britannia, but as company has sharp run up in last few months we see little upside for it. Hence, we have changed our rating from Hold to Neutral while maintaining previous target price of Rs 3230.

Key Risks to our rating and target

- ❑ Sharp decline in input prices.
- ❑ Spurt in demand.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	9054	9914	11055	11600	12920
EBITDA	1278	1502	1733	1843	2148
EBIT	1159	1360	1572	1658	1949
PAT	885	1004	1155	1394	1614
EPS (Rs)	37	42	48	58	67
EPS growth (%)	7%	13%	15%	21%	16%
ROE (%)	33%	29%	27%	32%	32%
ROCE (%)	42%	39%	36%	32%	33%
BV	112	142	177	183	213
P/B (X)	16.6	19.8	15.7	19.1	16.2
P/E (x)	50.7	67.3	57.9	60.4	51.4

Research Analyst

RAJEEV ANAND

rajeev.anand@narnolia.com

+91-22-62701229

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Financial Advisors Ltd. does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

4QFY20 Results

Better than expectation

Financials	Fig in Rs Cr									
	4QFY19	1QFY20	2QFY20	3QFY20	4QFY20	YoY %	QoQ%	FY19	FY20	YoY %
Net Sales	2,799	2,700	3,049	2,983	2,868	2.5%	-3.9%	11,055	11,600	4.9%
Other Income	62	67	68	65	79	27.2%	20.6%	206	279	35.3%
COGS	1,646	1,609	1,824	1,764	1,730	5.1%	-1.9%	6,561	6,927	5.6%
Gross Margin	41%	40%	40%	41%	40%	-1.5%	-1.2%	41%	40%	-0.4%
Empl. Exp.	108	121	124	122	121	11.7%	-0.6%	442	487	10.2%
Other Exp.	608	576	609	595	563	-7.5%	-5.4%	2,318	2,342	1.0%
EBITDA	437	395	492	502	454	4.1%	-9.5%	1,733	1,843	6.3%
EBITDA Mar.	16%	15%	16%	17%	16%	0.2%	-1.0%	16%	16%	0.2%
Depreciation	47	45	45	47	48	3.3%	3.8%	162	185	14.2%
EBIT	390	350	447	455	406	4.1%	-10.9%	1,572	1,658	5.5%
Interest	1	10	16	24	27	2059.2%	14.0%	9	77	746.0%
PBT	450	407	499	497	457	1.6%	-7.9%	1,769	1,861	5.2%
Exceptional	-	16	1	-	0	-	-	-	(17)	-
Tax	156	143	96	127	85	-45.4%	-33.3%	612	451	-26.4%
PAT	294	249	403	370	372	26.5%	0.7%	1,155	1,394	20.6%
PAT Margin	11%	9%	13%	12%	13%	2.5%	0.6%	10%	12%	1.6%

Concall Highlights

- The company witnessed demand acceleration in the month of Jan & Feb. and started seeing rural demand revival before the Covid related lock down.
- Revenue and PAT growth was impacted by 7-10% in the last 10 days of March.
- For tackling the production related bottlenecks, the company concentrated to those 20% of products and SKU's which generated 80 % of company's sales.
- Company has reduced total distance travelled from 370 km to 280 km in last 3 months.
- The company continue to witnessed market share gain in Hindi belt.
- As per Feb20, the company's Direct Reach went up to 22.2 lakh outlets (from 21.7 lakh in 3QFY20) while Rural distribution remained to 21000 RPD's.
- Bread business posted a high single digit growth with improvement in profitability in 4QFY20.
- Dairy maintained its profitability despite surge in milk prices.
- International business: Middle East continues to face challenges while rest of International business is growing at high double digits.
- Strategic position in Commodities helped in managing inflation at the levels of ~4%. Palm oil and Milk witnessed inflation of 18% and 50% respectively in 4QFY20.
- Currently all factories and distributors are operational for the company.
- ICD: ICD is in the same level as in previous year (~Rs 600 cr).
- Loans: Incremental increase in loans from sept, was due to ICD to non group companies like Bajaj, Hdfc extra.
- Break up of borrowings: Bonus debenture: Rs 720 cr, commercial paper borrowings: Rs 500 cr (largely for buying commodities). Borrowings in the subsidiaries of Britannia: Rs 280 cr (weighted average borrowing rate ~2%).
- Proactive measures taken by the company led to consolidated revenue growth of 24% in the first 2 months of 1QFY21.
- Retail offtake is largely the same than the primary sales numbers, may be 2-3% stock build up at distributors point.
- Last year capex: Rs ~225 cr; normal capex is ~Rs 200-300 cr provided there won't be new project.
- The company has launched Winking Cow yogurt lassi in the East and parts of North which is doing well.
- Margin outlook: things are looking better with declining trend in Palm oil and milk prices.

Exhibit: Direct Reach

The company continues to expand its direct reach, it went to 2.22 mn outlets in 4QFY20.

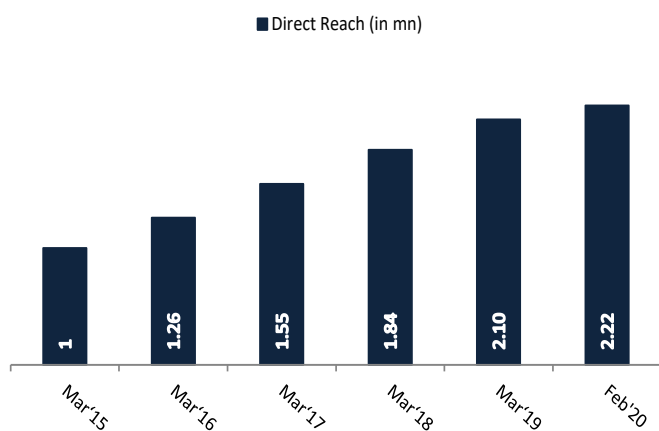


Exhibit: Rural Reach

Britannia's rural reach in terms of Rural Preferred Dealers (RPD) is growing consistently.

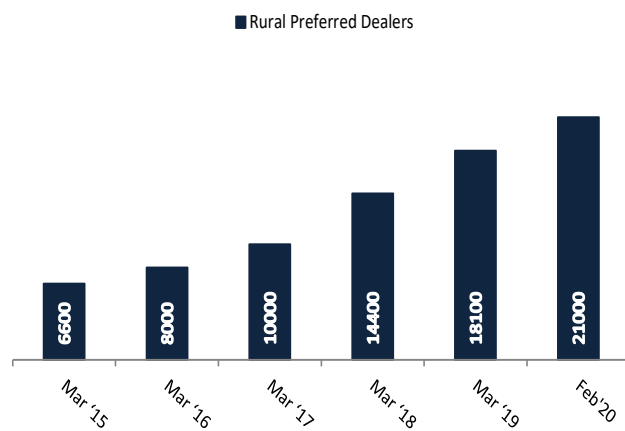


Exhibit: Sales and Sales Growth

The company's revenue was impacted due to lock down related to Covid-19.

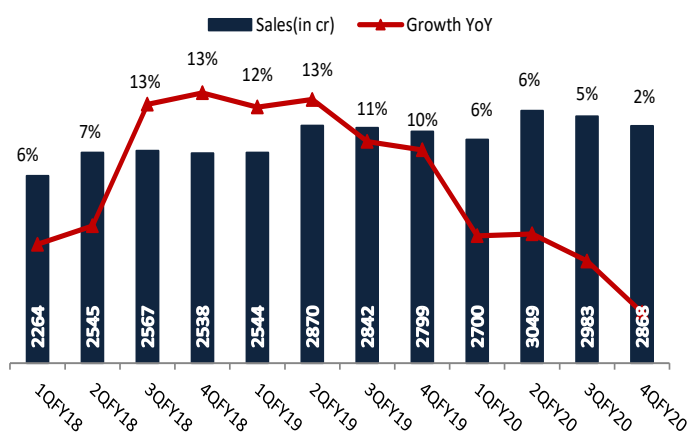


Exhibit: Gross and EBITDA Margin

Inflation in key inputs led to deterioration in gross margin while tight control on cost boosted EBITDA margin.

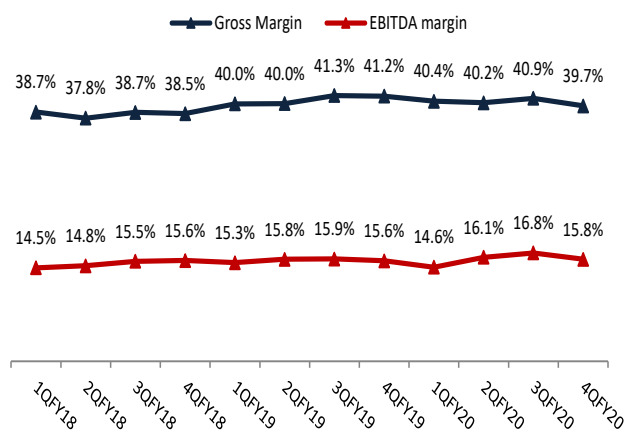


Exhibit: COGS and other expenses

Company continues to save cost at accelerated speed. other expenses were down by 212 bps YoY.

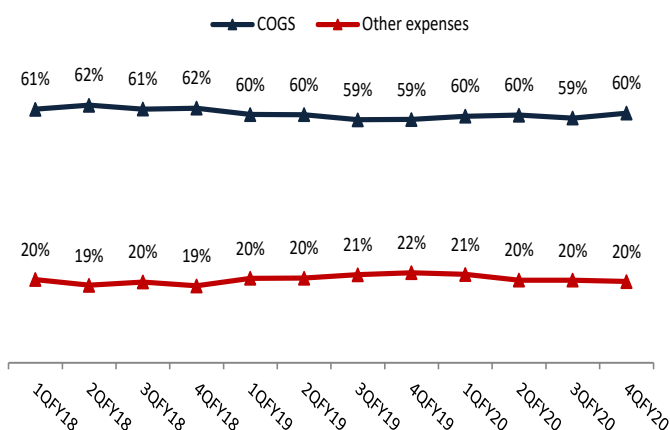
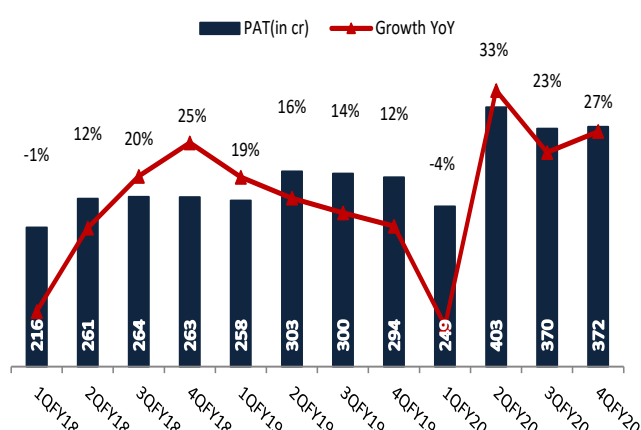


Exhibit: PAT and PAT Growth

Improvement in EBITDA margin, higher other income & lower provisioning of taxes led to strong profits growth.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	24	24	24	24	24	24	24	24
Reserves	770	1,218	2,068	2,672	3,382	4,229	4,379	5,089
Networth	794	1,242	2,092	2,696	3,406	4,253	4,403	5,113
Debt	148	140	124	116	178	138	1,514	952
Other Non Current Liab	32	26	7	8	9	15	26	13
Total Capital Employed	942	1,382	2,215	2,812	3,584	4,391	5,917	6,065
Net Fixed Assets (incl CWIP)	848	782	924	1,047	1,405	1,644	1,764	1,660
Non Current Investments	35	77	371	310	220	725	1,883	1,225
Other Non Current Assets	178	262	217	312	237	245	201	201
Non Current Assets	1,061	1,120	1,770	1,770	2,037	2,715	4,167	3,405
Inventory	420	404	441	661	653	781	741	991
Debtors	109	136	171	179	305	394	320	531
Cash & Bank	109	226	65	56	130	60	81	244
Other Current Assets	408	907	416	175	857	750	1,009	1,500
Current Assets	1,046	1,673	1,724	2,339	3,151	3,526	3,675	4,917
Creditors	557	703	769	757	994	1,141	1,116	1,381
Provisions	328	417	175	182	179	197	191	213
Other Current Liabilities	242	259	91	92	89	95	150	167
Curr Liabilities	1,126	1,380	1,244	1,261	1,554	1,775	1,817	2,161
Net Current Assets	(80)	293	480	1,078	1,597	1,751	1,858	2,756
Total Assets	2,107	2,794	3,494	4,109	5,188	6,242	7,842	8,322

Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
Revenue from Operation	6,913	7,858	8,397	9,054	9,914	11,055	11,600	12,920
Change (%)	12%	14%	7%	8%	9%	12%	5%	11%
EBITDA	627	864	1,214	1,278	1,502	1,733	1,843	2,148
Change (%)	49%	38%	41%	5%	17%	15%	6%	17%
Margin (%)	9%	11%	14%	14%	15%	16%	16%	17%
Depr & Amor.	83	144	113	119	142	162	185	199
EBIT	544	719	1,101	1,159	1,360	1,572	1,658	1,949
Int. & other fin. Cost	8	4	5	5	8	9	77	98
Other Income	34	88	124	151	166	206	279	305
EBT	569	804	1,220	1,304	1,518	1,769	1,861	2,157
Exp Item	-	146	-	-	-	-	(17)	-
Tax	174	261	396	420	514	612	451	543
Minority Int & P/L share of Ass.	0	0	-	-	-	-	-	-
Reported PAT	396	689	825	885	1,004	1,155	1,394	1,614
Adjusted PAT	396	590	825	885	1,004	1,155	1,406	1,614
Change (%)	52%	74%	20%	7%	13%	15%	21%	16%
Margin(%)	6%	9%	10%	10%	10%	10%	12%	12%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	50%	55%	39%	33%	29%	27%	32%	32%
ROCE	66%	56%	52%	42%	39%	36%	32%	33%
Asset Turnover	3	3	2	2	2	2	1	2
Debtor Days	6	6	7	7	11	13	10	15
Inv Days	22	19	19	27	24	26	23	28
Payable Days	29	33	33	31	37	38	35	39
Int Coverage	66	186	226	213	179	173	22	20
P/E	16	17	39	51	67	58	60	51
Price / Book Value	8	10	15	17	20	16	19	16
EV/EBITDA	5	7	13	18	22	39	46	39
FCF per Share	47	43	59	7	69	31	52	63
Div Yield	5%	3%	0%	1%	1%	0%	0%	1%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	569	950	1,220	1,304	1,518	1,769	1,844	2,157
(inc)/Dec in Working Capital	226	25	133	(451)	228	(2)	127	(299)
Non Cash Op Exp	74	(9)	77	70	95	113	116	199
Int Paid (+)	8	4	5	5	8	9	77	98
Tax Paid	(186)	(301)	(403)	(397)	(496)	(596)	(503)	(543)
others	(14)	(41)	(72)	(90)	(104)	(137)	(177)	-
CF from Op. Activities	677	628	959	441	1,249	1,156	1,485	1,613
(inc)/Dec in FA & CWIP	(110)	(118)	(251)	(360)	(423)	(401)	(244)	(95)
Free Cashflow	567	510	708	82	826	755	1,240	1,518
(Pur)/Sale of Inv	(74)	(113)	(210)	367	(536)	(332)	(1,326)	(491)
others	(62)	(220)	(245)	(157)	2	(122)	38	658
CF from Inv. Activities	(246)	(450)	(705)	(150)	(956)	(856)	(1,532)	72
inc/(dec) in NW	14	-	-	-	15	30	24	-
inc/(dec) in Debt	(243)	17	-	-	-	-	641	-
Int. Paid	(9)	(3)	(5)	(6)	(7)	(9)	-	(98)
Div Paid (inc tax)	(119)	(168)	(231)	(288)	(317)	(354)	(433)	(904)
others	-	(27)	(10)	(1)	78	(42)	-	(562)
CF from Fin. Activities	(357)	(181)	(246)	(295)	(232)	(353)	58	(1,564)
Inc(Dec) in Cash	74	(4)	8	(4)	61	(53)	11	121
Add: Opening Balance	22	90	43	51	47	108	59	123
Closing Balance	96	86	51	47	108	59	75	244

Narnolia Financial Advisors Ltd. is a SEBI registered Research Analyst having SEBI Registration No. INH300006500. The Company/Analyst (s) does/do not have any holding in the stocks discussed but these stocks may have been recommended to clients in the past. Clients of Narnolia Financial Advisors Ltd. may be holding aforesaid stocks.

The stocks recommended are based on our analysis which is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed.

Disclosures: Narnolia Financial Advisors Ltd. (NFAL) (Formerly Microsec Capital Ltd.) is a SEBI Registered Research Analyst having registration no. INH300006500. NFAL is engaged in the business of providing Stock Broking, Depository Participant, Merchant Banking, Portfolio Management & distribution of various financial products. Details of associate entities of NFAL is available on the website at www.narnolia.com

No penalties have been levied on NFAL by any Regulatory/Statutory authority. NFAL, its associates, Research Analyst or their relative may have financial interest in the subject company. NFAL and/or its associates and/or Research Analyst may have beneficial ownership of 1% or more securities in the subject company at the end of the month immediately preceding the date of publication of the Research Report. NFAL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of NFAL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report. Research Analyst may have served as director/officer, etc. in the subject company in the last 12 month period. NFAL and/or its associates may have received compensation from the subject company in the past 12 months. In the last 12 months period ending on the last day of the month immediately preceding the date of publication of this research report, NFAL or any of its associates may have: a) managed or co-managed public offering of securities from subject company of this research report, b) received compensation for investment banking or merchant banking or brokerage services from subject company of this research report, c) received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company of this research report. d) Subject Company may have been a client of NFAL or its associates during 12 months preceding the date of distribution of the research report. NFAL and its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. NFAL and / or its affiliates may do and seek to do business including Investment Banking with companies covered in the research reports. As a result, the recipients of this report should be aware that NFAL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific Merchant Banking, Investment Banking or Brokerage service transactions. Research Analyst's views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of NFAL or its associates maintains arm's length distance with Research Team as all the activities are segregated from NFAL research activity and therefore it can have an independent view with regards to subject company for which Research Team have expressed their views.

Analyst Certification The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
---	-----

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com.

Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

Registration details of Company: Narnolia Financial Advisors Ltd. (NFAL): SEBI Stock Broker Registration: INZ000166737 (NSE/BSE/MSEI); NSDL/CDSL: IN-DP-380-2018; Research Analyst: INH300006500, Merchant Banking: (Registration No.: INM000010791), PMS: (Registration No.: INP000002304), AMFI Registered Mutual Fund distributor: ARN 3087

Registration Details of Group entities: G. Raj & Company Consultants Ltd (G RAJ)-BSE Broker INZ260010731; NSDL DP: IN-DP-NSDL-371-2014 || Narnolia Commerze Limited (Formerly Microsec Commerze Ltd.)-MCX/NCDEX Commodities Broker: INZ000051636 || NarnoliaVeloX Advisory Ltd.- SEBI Registered PMS: INP000005109 || Eastwind Capital Advisors Pvt Ltd. (EASTWIND)-SEBI Registered Investment Adviser: INA300005439 || Narnolia Insurance Brokers Limited (Formerly Microsec Insurance Brokers Ltd.)-IRDA Licensed Direct Insurance Broker (Life & Non-Life) Certificate No. 134, License No. DB046/02 || Narnolia Securities Ltd. (NSL)-AMFI Registered Mutual Fund distributor: ARN 20558, PFRDA NPS POP: 27092018 || Narnolia Capital Advisors Pvt. Ltd. - RBI Registered NBFC:B.05.02568.

Disclaimer:

This report has been prepared by Narnolia Financial Advisors Ltd. (NFAL) and is meant for sole use by the recipient and not for public circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of NFAL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his/her/its own advisors to determine the merits and risks of such an investment. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NFAL will not treat recipients as customers by virtue of their receiving this report. Neither the Company, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits or lost opportunities that may arise from or in connection with the use of the information/report. The person accessing this information specifically agrees to exempt NFAL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold NFAL or any of its affiliates or employees responsible for any such misuse and further agrees to hold NFAL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NFAL & its group companies to registration or licensing requirements within such jurisdictions.