

Industry
Bloomberg
BSE CODE

Cons. Staples
BRIT IN
500825

Strong distribution coupled with proactive management led to steep increase in volumes

RATING	HOLD
CMP	3784
Price Target	3968
Potential Upside	5%
Rating Change	
Estimate Change	
Target Change	

STOCK INFO	
52wk Range H/L	3949/2101
Mkt Capital (Rs Cr)	91061
Free float (%)	49%
Avg. Vol 1M (,000)	31
No. of Shares (Crs)	24
Promoters Pledged %	NA

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1QFY21 Result Update

- BRITANNIA's numbers remained better than our expectation wherein revenue grew by 27% YoY to Rs. 3421 cr. (vs. expect. of Rs. 3240 cr.) with domestic volume growth of 21.5% YoY with pricing and mix led growth 2.5% each on the back of strong availability of company's products across region despite pandemic and other prevailing challenges.
- The Company direct reach stood at 2.15 mn outlet with rural reach at 22000 distributors while Hindi belt i.e. Rajasthan, MP, UP and Gujarat posted double digit growth.
- Gross margin improved by 124 bps to 41.65% YoY (vs. expect. of 41.2% YoY) led by improved product mix and deflation in prices of some inputs like flour and Milk.
- EBITDA margin improved by 634 bps to 21% YoY (vs. expect. of 16.2% YoY) led by reduction in other expense which was on account of reduced A&P spends to the extent of 200 bps and the remaining on account of savings in travel and other expense.
- The Company has reported its highest PAT growth of 118% YoY to Rs. 543 cr. (vs. expect. Rs. 396 Cr cr.) While PAT margin improved by 666 bps to 15.9% YoY.
- ICD: currently it is ~Rs 600 cr. (Go Air has repaid).

View and Valuation

Britannia's numbers for 1QFY21 remained at all-time high despite the obstacles which the company faced amidst lock down. The Company converted all challenges into opportunities in all areas i.e. procurement, manufacturing, distribution, sales and marketing. Amidst COVID-19, the company increased its rural as well as direct reach which ensured availability of its products across regions. Going forward, in the top line front we expect the momentum to continue favored by strong distribution while higher saliency of premium product in mix, deflation in input prices and cost saving measures in terms of reduced A&P will help in margin expansion. Considering above positives, we have changed our sales and PAT estimates by 7%/23% for FY21e and upgraded our rating from NEUTRAL to HOLD with an increase in target price to Rs. 3968.

Key Risks to our rating and target

- Exceptional increase in prices of flour and milk.
- Slowdown in demand.
- Steep increase in Ad & P spends.

Fig in Rs Cr

KEY FINANCIAL/VALUATIONS	FY17	FY18	FY19	FY20	FY21E
Net Sales	9054	9914	11055	11600	13816
EBITDA	1278	1502	1733	1843	2633
EBIT	1159	1360	1572	1658	2408
PAT	885	1004	1155	1394	1984
EPS (Rs)	37	42	48	58	83
EPS growth (%)	7%	13%	15%	21%	42%
ROE (%)	33%	29%	27%	32%	34%
ROCE (%)	42%	39%	36%	32%	37%
BV	112	142	177	183	240
P/B (X)	16.6	19.8	15.7	19.1	15.8
P/E (x)	50.7	67.3	57.9	60.4	45.9

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1QFY21 Results

Better than expectation

Fig in Rs Cr

FINANCIALS	1QFY20	2QFY20	3QFY20	4QFY20	1QFY21	YoY%	QoQ%	FY19	FY20	YoY%
Net Sales	2,700	3,049	2,983	2,868	3,421	26.7%	19.3%	11,055	11,600	4.9%
Other Income	67	68	65	79	94	38.9%	19.2%	206	279	35.3%
COGS	1,609	1,824	1,764	1,730	1,996	24.0%	15.4%	6,561	6,927	5.6%
Gross Margin	40%	40%	41%	40%	42%	1.2%	2.0%	41%	40%	-0.4%
Empl. Exp.	121	124	122	121	137	13.6%	13.3%	442	487	10.2%
Other Exp.	576	609	595	563	571	-0.9%	1.5%	2,318	2,342	1.0%
EBITDA	395	492	502	454	717	81.7%	57.8%	1,733	1,843	6.3%
EBITDA Mar.	15%	16%	17%	16%	21%	6.3%	5.1%	16%	16%	0.2%
Depreciation	45	45	47	48	48	7.1%	-1.1%	162	185	14.2%
EBIT	350	447	455	406	669	91.2%	64.8%	1,572	1,658	5.5%
Interest	10	16	24	27	26	153.6%	-5.1%	9	77	746.0%
PBT	407	499	497	457	737	81.0%	61.1%	1,769	1,861	5.2%
Exceptional Item	16	1	-	0	0	-	-	-	(17)	-
Tax	143	96	127	85	194	35.9%	128.9%	612	451	-26.4%
PAT	249	403	370	372	543	118.3%	45.7%	1,155	1,394	20.6%
PAT Margin	9%	13%	12%	13%	16%	6.7%	2.9%	10%	12%	1.6%

Concall Highlights

1QFY21 Result Update:

- The Company witnessed volume growth of 21.5% YoY out of total growth of 26.5% YoY and remaining 5% is on account mix and price in 50:50 ratio.
- The Company's other expense contracted on account of lower A&P spends to the extent of 200 bps in 1QFY21.
- The Company witnessed double digit category growth in April-May and expect the same for next 2-3 quarters.
- For the Company rural contribution stood at ~37% of total revenue.
- As per Management, group ICD stood within the limits approved by the board and is in the same range of the total investments.
- The Company's shares is been growing in all channels. Traditional channel grew by 30% higher than the overall growth for the total company, Modern trade remained impacted due to shut down of malls, e-commerce grew by 300% while alternate channels has taken a big hit during the quarter.
- In 1QFY21, the company launched 2 new products lassi and layer cake in few places and are taking them to PAN India after witnessing good response from the consumers.
- As per Management, availability played a big part in this quarter.
- The Company new plant for Adjacency business will take another 18-20 months.
- The Company's growth stood ahead of market and also gained market share.
- As of now, the company is not witnessing significant downtrend in terms of consumption.

Adjacency Business:

- The Company is confident that croissant and salty snacks will be well accepted by the consumers, the test marketing for the both the products has already been done. Thus management expects to launch both the product in next 6 months with right marketing mix after the prevailing pandemic situation gets over.
- For the Company wafers have been doing well after 2 months of slowdown in 1QFY21. The company will also invest in building new line in Ranjangaon plant for wafers.
- Overall the company is on right track with regard to adjacency business.

CAPEX:

- The Company will incur normal CAPEX along with an additional CAPEX of Rs. 700 cr. for bakery products. (In next 2-3 years).
- The Company is looking for 5 more new plant in Bihar, UP (UP is emerging as the second largest market), Orissa, Tamil Nadu and more line for Ranjangaon for bakery products.

Management Guidance:

- For the Company, the focus will remain on rural and traditional trade and will try to rebuild Modern trade channels while expects e-commerce (1% of total business) to continue growing aggressively.
- The Management expect gentle commodity inflation in coming quarter.
- The Company is focusing on building new IT system for distribution and targets to have strong IT at the end of the year.

Exhibit: Direct Reach

The company continued to expand its direct reach, it went up to 2.15 mn outlets in 1QFY21.

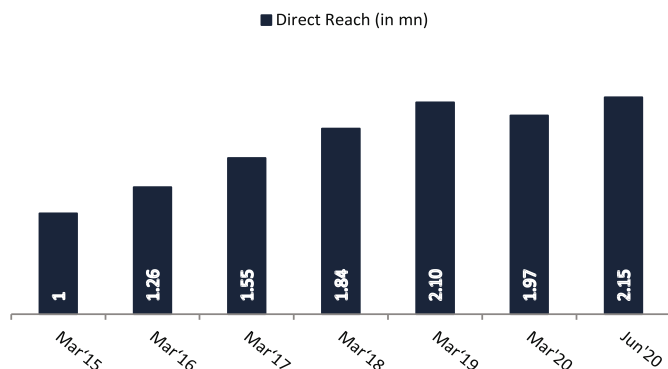


Exhibit: Rural Reach

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

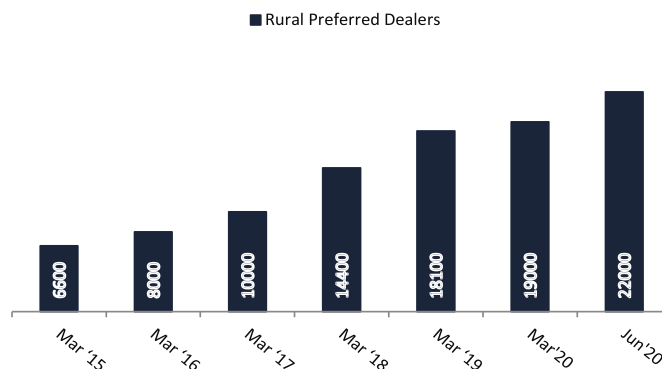


Exhibit: Sales and Sales Growth

Steep increase in sales on the back of strong availability of company's products despite prevailing uncertain scenario.

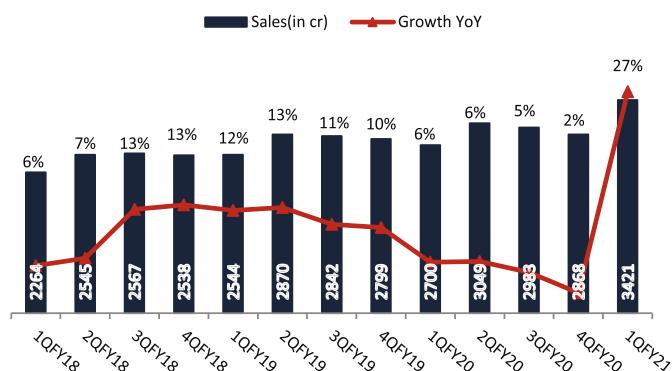


Exhibit: Gross Margin and EBITDA Margin

GrossM. expansion on the back of improved product mix while EBITDAM. expansion led by lower other expense.

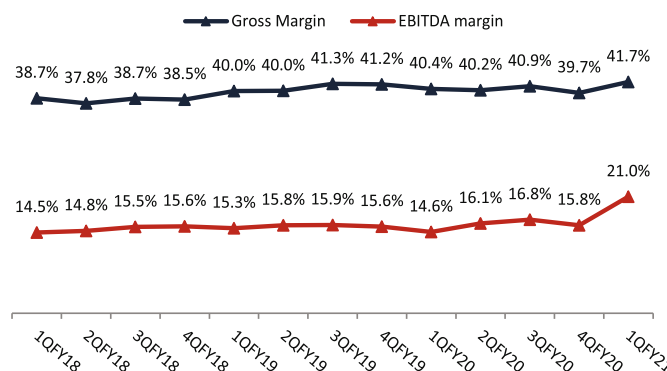


Exhibit: COGS and other expenses

COGS remained lower led by deflation in prices of flour & milk while other exp. remained lower due to lower A&P spends.

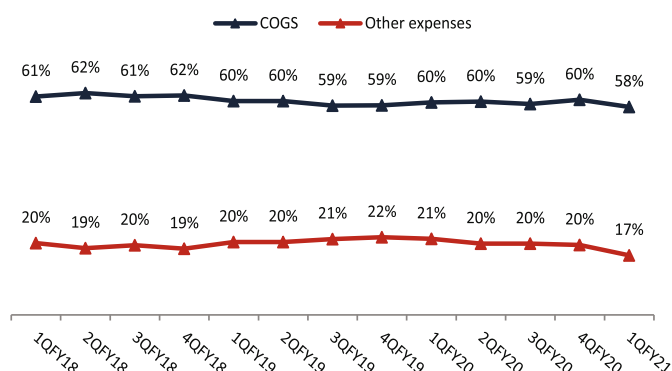
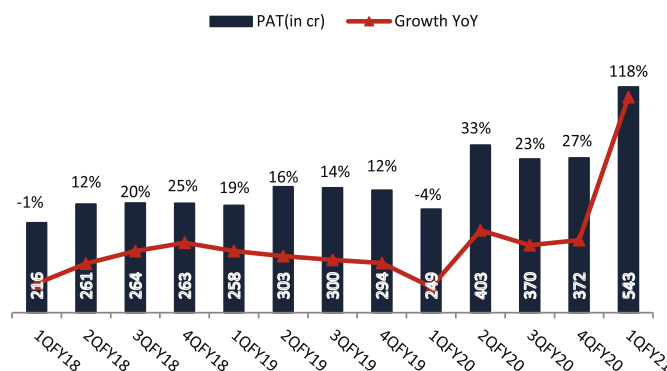


Exhibit: PAT and PAT Growth (%)

PAT grew steeply to Rs. 543 cr. while PAT margin stood at 15.9% YoY.



Financial Details

Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	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	5,747
Networth	794	1,242	2,092	2,696	3,406	4,253	4,403	5,771
Debt	148	140	124	116	178	138	1,514	844
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	6,615
Net Fixed Assets (incl CWIP)	848	782	924	1,047	1,405	1,644	1,764	1,711
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	3,456
Inventory	420	404	441	661	653	781	741	871
Debtors	109	136	171	179	305	394	320	416
Cash & Bank	109	226	65	56	130	60	81	862
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	5,414
Creditors	557	703	769	757	994	1,141	1,116	1,325
Provisions	328	417	175	182	179	197	191	228
Other Current Liabilities	242	259	91	92	89	95	150	179
Curr Liabilities	1,126	1,380	1,244	1,261	1,554	1,775	1,817	2,160
Net Current Assets	(80)	293	480	1,078	1,597	1,751	1,858	3,255
Total Assets	2,107	2,794	3,494	4,109	5,188	6,242	7,842	8,870

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	13,816
Change (%)	12%	14%	7%	8%	9%	12%	5%	19%
Other Income	34	88	124	151	166	206	279	355
EBITDA	627	864	1,214	1,278	1,502	1,733	1,843	2,633
Change (%)	49%	38%	41%	5%	17%	15%	6%	43%
Margin (%)	9%	11%	14%	14%	15%	16%	16%	19%
Depr & Amor.	83	144	113	119	142	162	185	225
EBIT	544	719	1,101	1,159	1,360	1,572	1,658	2,408
Int. & other fin. Cost	8	4	5	5	8	9	77	97
EBT	569	804	1,220	1,304	1,518	1,769	1,861	2,666
Exp Item	-	146	-	-	-	-	(17)	(0)
Tax	174	261	396	420	514	612	451	683
Minority Int & P/L share of Ass.	0	0	-	-	-	-	-	-
Reported PAT	396	689	825	885	1,004	1,155	1,394	1,984
Adjusted PAT	396	590	825	885	1,004	1,155	1,406	1,984
Change (%)	52%	74%	20%	7%	13%	15%	21%	42%
Margin(%)	6%	9%	10%	10%	10%	10%	12%	14%

Financial Details

Key Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
ROE	50%	55%	39%	33%	29%	27%	32%	34%
ROCE	66%	56%	52%	42%	39%	36%	32%	37%
Asset Turnover	3	3	2	2	2	2	1	2
Debtor Days	6	6	7	7	11	13	10	11
Inv Days	22	19	19	27	24	26	23	23
Payable Days	29	33	33	31	37	38	35	35
Int Coverage	66	186	226	213	179	173	22	25
P/E	16	17	39	51	67	58	60	46
Price / Book Value	8	10	15	17	20	16	19	16
EV/EBITDA	5	7	13	18	22	39	46	35
FCF per Share	47	43	59	7	69	31	52	81
Div Yield	4.6%	3.2%	0.0%	1.1%	0.8%	0.4%	0.5%	0.7%

Cash Flow Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21E
PBT	569	950	1,220	1,304	1,518	1,769	1,844	2,666
(inc)/Dec in Working Capital	226	25	133	(451)	228	(2)	127	(180)
Non Cash Op Exp	74	(9)	77	70	95	113	116	225
Int Paid (+)	8	4	5	5	8	9	77	97
Tax Paid	(186)	(301)	(403)	(397)	(496)	(596)	(503)	(683)
others	(14)	(41)	(72)	(90)	(104)	(137)	(177)	-
CF from Op. Activities	677	628	959	441	1,249	1,156	1,485	2,126
(inc)/Dec in FA & CWIP	(110)	(118)	(251)	(360)	(423)	(401)	(244)	(171)
Free Cashflow	567	510	708	82	826	755	1,240	1,954
(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)	(5)
inc/(dec) in NW	14	-	-	-	15	30	24	-
inc/(dec) in Debt	(243)	17	-	-	-	-	641	-
Int. Paid	(9)	(3)	(5)	(6)	(7)	(9)	-	(97)
Div Paid (inc tax)	(119)	(168)	(231)	(288)	(317)	(354)	(433)	(615)
others	-	(27)	(10)	(1)	78	(42)	-	(670)
CF from Fin. Activities	(357)	(181)	(246)	(295)	(232)	(353)	58	(1,382)
Inc(Dec) in Cash	74	(4)	8	(4)	61	(53)	11	739
Add: Opening Balance	22	90	43	51	47	108	59	123
Closing Balance	96	86	51	47	108	59	75	862

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