

**Positive outlook; recovery expected in FY25**

Q4FY24 Result Update | Sector: FMCG | May 06, 2024

**ACCUMULATE**

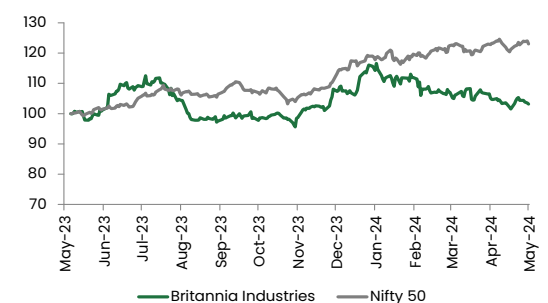
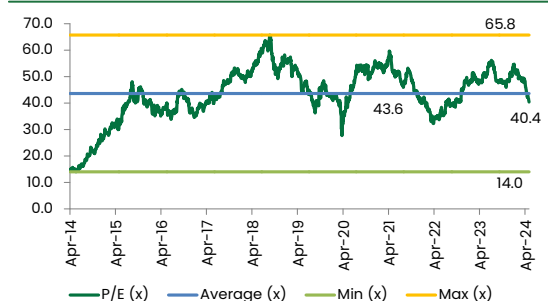
<b>CMP (Rs)</b>	<b>5,072</b>
<b>Target Price (Rs)</b>	<b>5,633</b>
<b>Potential Upside</b>	<b>11.1%</b>
<b>Sensex</b>	73,878
<b>Nifty</b>	22,450

**Key Stock data**

<b>BSE Code</b>	500825
<b>NSE Code</b>	BRITANNIA
<b>Bloomberg</b>	BRIT:IN
<b>Shares o/s, Cr (FV 1)</b>	24.0
<b>Market Cap (Rs Cr)</b>	122,204
<b>3M Avg Volume</b>	324,200
<b>52 week H/L</b>	5,386/4,348

**Shareholding Pattern**

(%)	Sep-23	Dec-23	Mar-24
<b>Promoter</b>	50.6	50.6	50.6
<b>FII</b>	19.7	19.0	18.2
<b>DII</b>	14.0	15.0	15.8
<b>Others</b>	15.7	15.4	15.4

**1 year relative price performance**

**1 year P/E Forward (x)**

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**Revenue growth remains mixed:** Britannia reported mixed revenue growth for Q4FY24 with an increase of 1.1% YoY but a decline of 4.4% QoQ to Rs 4,069cr. The company is facing stiff competition however their initiatives such as increasing spends on brands, expanding distribution reach and price competitiveness is driving market share as well as the overall growth for the company. For FY24, price hikes led to revenue growth of 2.9% YoY to Rs 16,769cr.

**Flat Margins:** Its gross profit grew by 1.1% YoY but declined by 2.2% QoQ by Rs 1,827cr due to muted topline performance. Further, raw material cost saw an increase of 1.2% as compared last year but sequentially it declined by 6.1%. Thus, leading to flat gross margin on YoY basis while improvement of 102bps QoQ to 44.9%. Further, its EBITDA declined by 1.7%/4.1% YoY/QoQ to Rs 787cr while margin declined by 56bps YoY but was flat sequentially to 19.4% due to increase in other expenses which includes advertisements spends as well. Adjusted PAT was down by 3.8%/3.4% YoY/QoQ to Rs 537cr with PAT margin at 13.2%, decline of 67bps YoY but marginal increase of 13bps QoQ. For FY24, its Gross and EBITDA profit grew by 8.5% /12% YoY and also margins improved to 43.4% (improvement of 224ps YoY) and at 18.9% (increase of 154bps), respectively.

**Management plan & strategy:** Going ahead for FY25, management remains cautiously optimistic as near term challenges to persist for a few quarters while 2HFY25 to see improvement led by improving demand conditions, better monsoon and election outcome. Further, their focus remains on growing topline and anticipates achieving double digit volume growth, also forecast commodity inflation to be at manageable levels.

**Key highlights:** 1) Commodity inflation expected at around 3% for FY25. 2) Gained market share post challenging H1FY24. 3) Growth drivers ahead are to focus on innovations, Adjacent business, cost programs and distribution reach. 4) Have a direct reach of 27.9 lakh outlets and rural distribution at 30K RPDs. 5) Focused states of Hindi belt areas are growing faster as compared to others. 6) Focusing on route to market strategy 2.0 by concentrating on data analytical and AI. 7) Connecting youth via modern marketing techniques such as digital & social media. 8) Amongst segment biscuit to be the core priority. 9) Price action and promotion activity continued for brands such as Good Day, Marie Gold, Milk Bikis, 50-50, Treat, Gol-Maal & Pure Magic. 10) Innovation & renovation continued for the quarter and fresh launches were Good day fruit & nuts, Toastea cake rusk and Bourbon Milk Shake. 11) For Cheese, differentiate products continue to gain traction. 12) Winkin Cow drinks gaining traction on the back of ongoing summer season. 13) Commodity fluctuation to be closely monitored going ahead.

**Outlook & Valuation:** Britannia posted a soft quarter, however management remains positive on the growth prospect going ahead. We believe their strategy of investing behind brands & innovating products along with scaling adjacent categories and expanding distribution reach as well as managing cost bodes well for overall growth. Moreover, they have plans to drive volume led growth as well as add new product categories, focus on premium products along with expanding across new age distribution channels to gain market share. Meanwhile, on the financial front, we expect its revenue/EBITDA to grow 10.0%/13.1% CAGR over FY24-26E. Thus, maintaining our **Accumulate** rating on Britannia we have revised our target price upwards to **Rs 5,633**.

**Financial Summary - consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Net revenue	16,301	16,769	18,111	20,284
EBITDA	2,831	3,170	3,532	4,057
EBITDAM (%)	17.4	18.9	19.5	20.0
APAT	2,316	2,134	2,421	2,820
APATM (%)	14.2	12.7	13.4	13.9
EPS (Rs)	96.4	88.8	100.8	117.4
PE (x)	52.6	57.1	50.3	43.2
RoE (%)	65.5	54.1	53.1	50.5

Source : RBL Research

Revenue growth was mixed

EBITDA margin decline because of increase in other expense

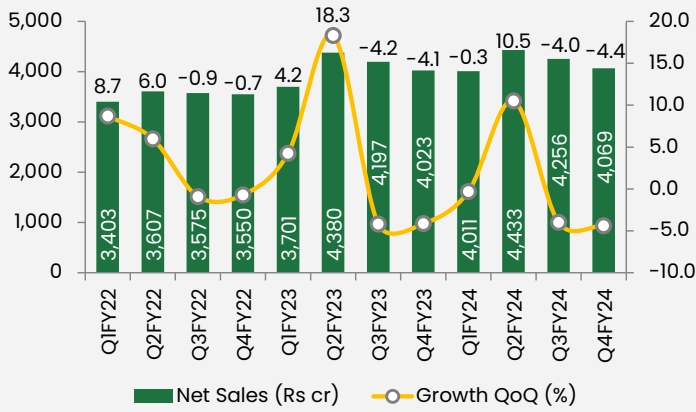
**P&L Account Quarterly - consolidated**

Particulars, Rs cr	Q4FY24	Q4FY23	Y-o-Y (%)	Q3FY24	Q-o-Q (%)
<b>Net Sales</b>	<b>4,069</b>	<b>4,023</b>	<b>1.1</b>	<b>4,256</b>	<b>(4.4)</b>
Cost of Raw Materials	2,056	2,023	1.6	2,129	(3.4)
Purchase of Finished Goods	193	190	2.0	239	(19.0)
(Increase) / Decrease In Stocks	(7)	3	-	21.5	-
<b>Raw material cost</b>	<b>2,243</b>	<b>2,216</b>	<b>1.2</b>	<b>2,389</b>	<b>(6.1)</b>
<b>Gross Profit</b>	<b>1,827</b>	<b>1,807</b>	<b>1.1</b>	<b>1,867</b>	<b>(2.2)</b>
Gross Margins (%)	44.9	44.9	-3bps	43.9	102bps
Employee Cost	162	171	(5.0)	198	(18.4)
Other Expense	877	836	5.0	848	3.5
<b>Total Expenditure</b>	<b>3,282</b>	<b>3,222</b>	<b>1.9</b>	<b>3,435</b>	<b>(4.5)</b>
<b>EBITDA</b>	<b>787</b>	<b>801</b>	<b>(1.7)</b>	<b>821</b>	<b>(4.1)</b>
EBITDA Margins (%)	19.4	19.9	-56bps	19.3	6bps
Depreciation	80	65	22.3	78	2.4
EBIT	708	736	(3.8)	743	(4.8)
Other Income	57	56	1.7	51	13.4
Interest	26	35	(24.2)	31	(15.0)
PBT (Before profit share )	738	757	(2.5)	762	(3.2)
Share of profits	(3.8)	4.0	-	(1.3)	-
Exceptional item	-	-	-	(2.9)	-
<b>PBT</b>	<b>735</b>	<b>761</b>	<b>(3.5)</b>	<b>758</b>	<b>(3.1)</b>
Tax	198	204	(2.7)	203	(2.3)
<b>Reported PAT (after except.)</b>	<b>537</b>	<b>558</b>	<b>(3.8)</b>	<b>556</b>	<b>(3.4)</b>
PAT Margin (%)	13.2	13.9	-67bps	13.1	13bps
<b>EPS (Rs)</b>	<b>22.3</b>	<b>23.2</b>	<b>(4.0)</b>	<b>23.1</b>	<b>(3.6)</b>

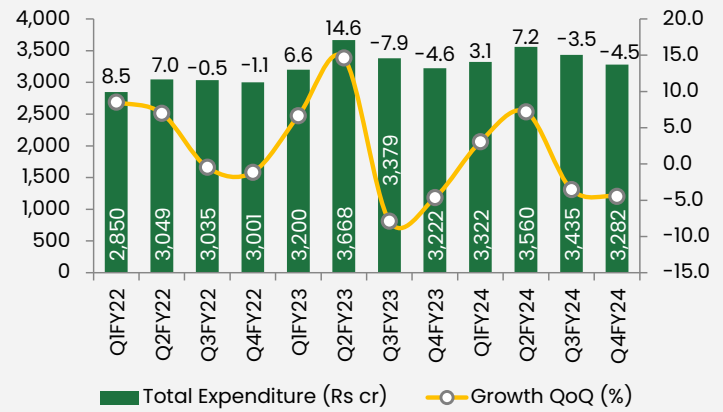
Source : RBL Research

Story in charts

Net Sales grew by 1.1% YoY but declined by 4.4% QoQ

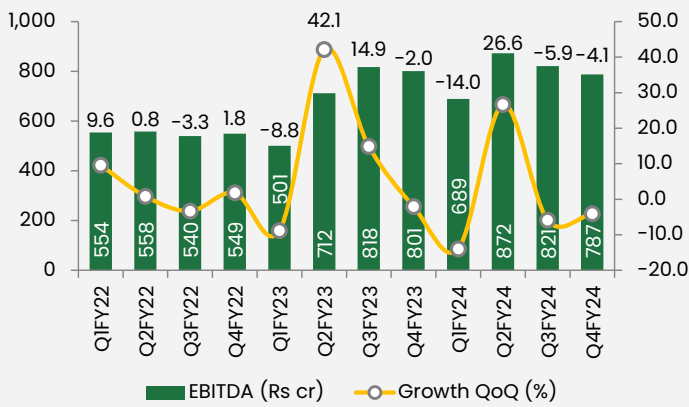


Expenditure increased by 1.9% YoY but decreased by 4.5% QoQ

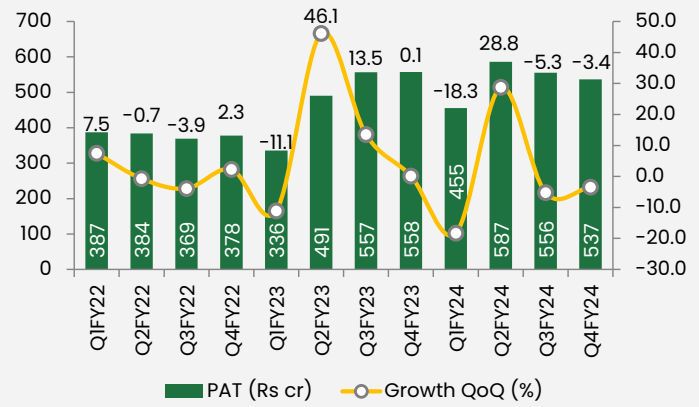


Source : RBL Research

EBITDA de-grew by 1.7% YoY & 4.1% QoQ

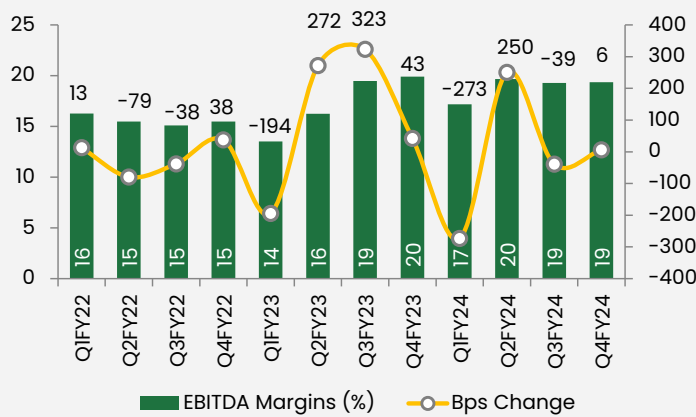


PAT declined by 3.8% YoY & 3.4% QoQ

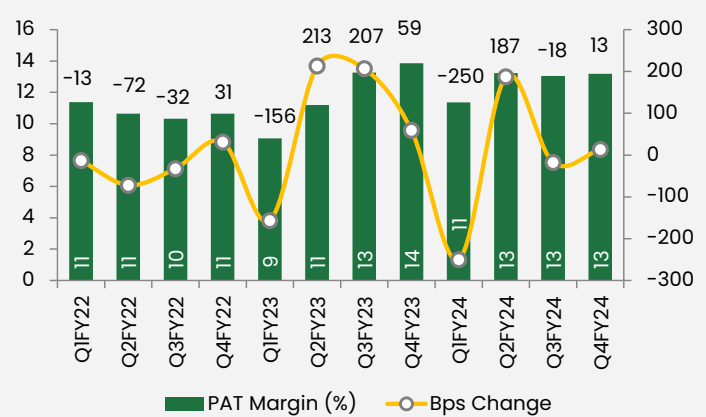


Source : RBL Research

EBITDA margin down by 56bps YoY but higher by 6bps QoQ



PAT margin declined by 67bps YoY but increased by 13bps QoQ



Source : RBL Research

**P&L Account – consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>Net sales</b>	<b>16,301</b>	<b>16,769</b>	<b>18,111</b>	<b>20,284</b>
<b>Expenditure</b>				
Raw material consumed	8,327	8,547	9,127	10,182
Purchase of stock in trade	1,337	941	1,054	1,167
(Increase) / Decrease In Stocks	(73)	4	51	92
Total RM Cost	9,591	9,492	10,233	11,440
<b>Gross Profit</b>	<b>6,709</b>	<b>7,277</b>	<b>7,878</b>	<b>8,844</b>
<b>Gross Profit Margin (%)</b>	<b>41.2</b>	<b>43.4</b>	<b>43.5</b>	<b>43.6</b>
Employee cost	658	709	797	852
Other expenses	3,220	3,399	3,550	3,935
<b>Total expenditure</b>	<b>13,470</b>	<b>13,599</b>	<b>14,579</b>	<b>16,227</b>
<b>EBITDA</b>	<b>2,831</b>	<b>3,170</b>	<b>3,532</b>	<b>4,057</b>
<b>EBITDAM (%)</b>	<b>17.4</b>	<b>18.9</b>	<b>19.5</b>	<b>20.0</b>
Depreciation	226	300	305	313
PBIT	2,605	2,869	3,226	3,744
Other income	216	214	235	264
Interest expenses	169	164	167	171
PBT	2,652	2,920	3,294	3,837
Tax	716	779	873	1,017
<b>PAT</b>	<b>1,935</b>	<b>2,140</b>	<b>2,421</b>	<b>2,820</b>
<b>PATM (%)</b>	<b>11.9</b>	<b>12.8</b>	<b>13.4</b>	<b>13.9</b>
<b>Exceptional</b>	<b>381.0</b>	<b>(6.1)</b>	<b>-</b>	<b>-</b>
<b>PAT (after exceptional)</b>	<b>2,316</b>	<b>2,134</b>	<b>2,421</b>	<b>2,820</b>
<b>PATM (%)</b>	<b>14.2</b>	<b>12.7</b>	<b>13.4</b>	<b>13.9</b>
EPS (Rs)	96.4	88.8	100.8	117.4

Source : RBL Research

**Balance Sheet – consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
Share Capital	24	24	24	24
Reserves & Surplus	3,510	3,917	4,537	5,555
<b>Total Shareholder's Fund</b>	<b>3,534</b>	<b>3,942</b>	<b>4,561</b>	<b>5,579</b>
Minority Interest	30	25	25	25
Long term borrowings	1,552	905	923	941
Short term borrowing	1,429	1,136	1,159	1,182
<b>Total Debt</b>	<b>2,981</b>	<b>2,041</b>	<b>2,082</b>	<b>2,124</b>
Deferred tax liabilities	70	95	95	95
Long term provision	26	31	31	31
Long term liabilities	75	86	86	86
	<b>170</b>	<b>211</b>	<b>211</b>	<b>211</b>
<b>Current Liabilities</b>				
Trade payables	1,449	1,627	1,725	1,925
Short term provisions	513	559	604	609
Current liabilities	675	668	722	808
	<b>2,637</b>	<b>2,855</b>	<b>3,051</b>	<b>3,342</b>
<b>Total liabilities</b>	<b>9,353</b>	<b>9,074</b>	<b>9,930</b>	<b>11,280</b>
<b>Assets</b>				
Net Block	2,527	2,641	2,760	2,884
Current WIP	105	188	188	188
Goodwill	128	130	130	130
Non current investment	1,523	1,070	1,156	1,295
Long term L&A	150	-	-	-
Non-current assets	72	84	91	102
Tax assets	101	112	112	112
	<b>4,606</b>	<b>4,225</b>	<b>4,436</b>	<b>4,710</b>
<b>Current Assets</b>				
Current investments	1,801	1,697	1,832	2,052
Inventories	1,193	1,181	1,250	1,395
Trade receivables	329	393	425	476
Cash & Bank	198	446	765	1,279
Short term L&A	560	460	497	556
Current assets	665	671	725	812
	<b>4,746</b>	<b>4,849</b>	<b>5,494</b>	<b>6,570</b>
<b>Total assets</b>	<b>9,353</b>	<b>9,074</b>	<b>9,930</b>	<b>11,280</b>

Source : RBL Research

**Cashflow – consolidated**

Particulars, Rs cr	FY23	FY24	FY25E	FY26E
<b>Profit before tax</b>	<b>3,027</b>	<b>2,917</b>	<b>3,294</b>	<b>3,837</b>
Add: Depreciation	226	300	305	313
Add: Interest cost	169	164	167	171
Others	(576)	(204)	(200)	(200)
Operating profit before WC	2,846	3,177	3,567	4,121
Changes in WC	406	161	(2)	(62)
Direct taxes	(726)	(765)	(873)	(1,017)
<b>Cash flow from operating</b>	<b>2,526</b>	<b>2,573</b>	<b>2,692</b>	<b>3,041</b>
<b>Net cash used in Investing</b>				
Purchase of fixed assets	(590)	(562)	(424)	(437)
Purchase/Sales of FA & Invt.	(1,240)	580	(221)	(359)
Others	312	457	170	170
<b>Cash flow from Investing</b>	<b>(1,517)</b>	<b>476</b>	<b>(475)</b>	<b>(626)</b>
<b>Cash flow from Financing</b>				
Borrowings	518	(934)	41	42
Dividend (Incl dividend tax)	(1,359)	(1,732)	(1,802)	(1,802)
Interest cost	(196)	(164)	(167)	(171)
Others	9	0	-	-
<b>Cash flow from Financing</b>	<b>(1,028)</b>	<b>(2,830)</b>	<b>(1,929)</b>	<b>(1,931)</b>
<b>Net cash Inflow/Outflow</b>	<b>(19)</b>	<b>218</b>	<b>288</b>	<b>484</b>
Opening Cash	109	103	323	611
Closing Cash	90	321	611	1,096
Overdraft & Others	12	2	-	-
Bank Balance	96	124	153	183
<b>Closing Cash &amp; Bank</b>	<b>198</b>	<b>446</b>	<b>765</b>	<b>1,279</b>

Source : RBL Research

**Key ratios – consolidated**

Particulars	FY23	FY24	FY25E	FY26E
<b>Per share Data</b>				
EPS	96.4	88.8	100.8	117.4
Book value per share (Rs)	147.1	164.0	189.8	232.2
Dividend per share	56.6	72.1	75.0	75.0
Dividend Yield (%)	1.1	1.4	1.5	1.5
Dividend Payout (%)	58.7	81.2	74.4	63.9
<b>Profitability Ratios</b>				
EBITDAM (%)	17.4	18.9	19.5	20.0
EBITM (%)	16.0	17.1	17.8	18.5
NPM (%)	14.2	12.7	13.4	13.9
RoCE (%)	31.1	31.1	34.0	35.3
RoE (%)	65.5	54.1	53.1	50.5
<b>Efficiency Data</b>				
Debt-Equity Ratio	0.8	0.5	0.5	0.4
Interest Cover Ratio	15.4	17.5	19.3	21.9
Fixed Asset Ratio	7.9	6.5	6.7	7.2
Debtors (Days)	7.4	8.6	8.6	8.6
Inventory (Days)	52.3	50.4	50.0	50.0
Payable (Days)	63.5	69.5	69.0	69.0
WC (Days)	-3.8	-10.5	-10.4	-10.4
<b>Valuation</b>				
P/E	52.6	57.1	50.3	43.2
P/BV	34.5	30.9	26.7	21.8
EV/EBIDTA	44.0	39.0	34.9	30.3
EV/Sales	7.6	7.4	6.8	6.1

Source : RBL Research

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? <b>[If answer is yes, nature of Interest is given below this table]</b>		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

**[Please note that only in case of multiple RAs, if in the event answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) below, are given separately]**

**Nature of Interest ( if answer to F (a) above is Yes :**

.....

**Name(s) with Signature(s) of RA(s).**

**[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]**

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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