

Mixed numbers; Maintain Buy

Q2FY24 Result Update | Sector: FMCG | November 02, 2023

BUY

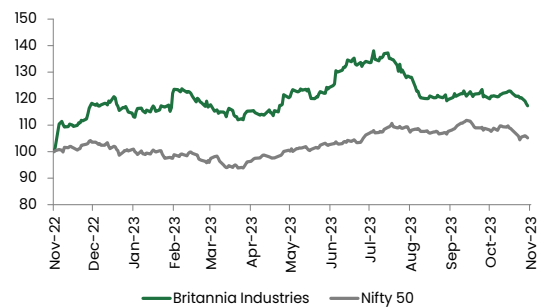
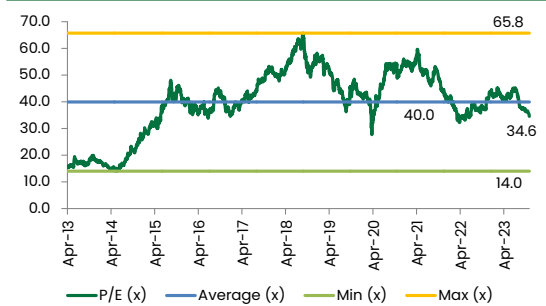
CMP (Rs)	4,504
Target Price (Rs)	5,348
Potential Upside	18.7%
Sensex	63,965
Nifty	19,107

Key Stock data

BSE Code	500825
NSE Code	BRITANNIA
Bloomberg	BRIT:IN
Shares o/s, Cr (FV 1)	24.0
Market Cap (Rs Cr)	108,485
3M Avg Volume	407,981
52 week H/L	5,270/3,705

Shareholding Pattern

(%)	Mar-23	Jun-23	Sep-23
Promoter	50.6	50.6	50.6
FII	19.4	21.3	19.7
DII	14.3	12.5	14.0
Others	15.7	15.6	15.7

1 Year relative price performance

1 year P/E Forward (x)

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Sluggish revenue growth: Britannia reported Q2FY24 revenue at Rs 4,433cr which increased by 10.5% QoQ and as compared to last year growth was just up by 1.2% YoY. The growth was largely impacted because of muted demand for the overall FMCG sector as the rural economy is still not contributing to the growth, besides, the company posted flattish volume growth (~20bps increase) as well as the growth was higher in the base year (last year).

Healthy improvement in margins: Britannia's gross profit grew by 11.5%/13% YoY/QoQ to Rs 1,901cr with margin at 42.9% which saw healthy improvement of 396bps/95bps YoY/QoQ because of decline in raw material price mainly palm oil while flour & sugar was marginally higher. Moreover, its EBITDA improved by 22.6%/26.6% YoY/QoQ to Rs 872cr and increase in margin by 343bps/250bps YoY/QoQ to 19.7% because of decrease in overall expenses. Further, PAT grew by 19.6%/28.8% and margin came in at improved by 203bps/187bps YoY/QoQ to 13.2%.

Concall highlights: 1) Britannia's management strategy is to continue its innovations, scaling up products in adjacent segments, spending on advertisements (to remain competitive and also aid in brand recall) and increasing distribution reach. 2) Management believes other than Biscuits there is good opportunity for categories such as cakes, dairy drinks, cheese, wafer cream biscuits, Makhana and croissants as penetration varies for each of them from low of 3% to 50% penetration. 3) Innovation contribution towards revenue stands at ~10% over the last 10 years. It launched products such as JimJam pops, GoMaal 50-50, different packaging for cheese. 4) Plan is to stay in the snacking & baking space and explore more categories. 5) Agenda is to grow topline much faster and bring in volume growth. 6) Volume growth was flattish for the quarter and to remain competitive the company took strategic pricing corrections in some of its key brands & SKUs. 7) Total reach is 66.2 lakh outlets with direct & indirect outlet reach of 27.3 lakh/38.9 lakh. 8) Have commercialized 2nd factory with 3 product lines in Bihar and its recent addition of factories in UP and Tamil Nadu are operating as per the company desired efficiencies. 9) Flour & sugar prices remain flat to higher while on the other hand palm oil saw healthy correction which is positive and aided margin improvement. 10) Key things to watch are the prices of commodities due to on-going concerns in the Middle-East & in Russia.

Outlook & Valuation: In Q2FY24 as well, Britannia reported mixed numbers in continuation of trend like last quarter because of rural is yet to pick-up pace and volumes were flat while on the flip side the management focus will be on driving volumes and gaining market share by way of innovation, branding and increasing spends on advertisements as well as scaling up its distribution reach both in urban and rural areas. From a medium to long term perspective we expect Britannia to drive topline volume led growth as rural areas catch up pace. Meanwhile, on the financial front, we expect its revenue/EBITDA to grow by 15%/20% CAGR over FY23-25E and maintain a **Buy** rating with a target price of **Rs 5,348**.

Financial Summary - consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net revenue	14,136	16,301	18,746	21,557
EBITDA	2,202	2,831	3,429	4,116
EBITDAM (%)	15.6	17.4	18.3	19.1
APAT	1,516	2,316	2,486	3,058
APATM (%)	10.7	14.2	13.3	14.2
EPS (Rs)	63.1	96.4	103.5	127.3
PE (x)	71.3	55.9	43.5	35.4
RoE (%)	59.3	54.8	68.7	73.6

Source : RBL Research

Net sales grew just by 1.2% YoY because of flat volume growth

Gross & EBITDA margin improved led by decline in RM cost & expense

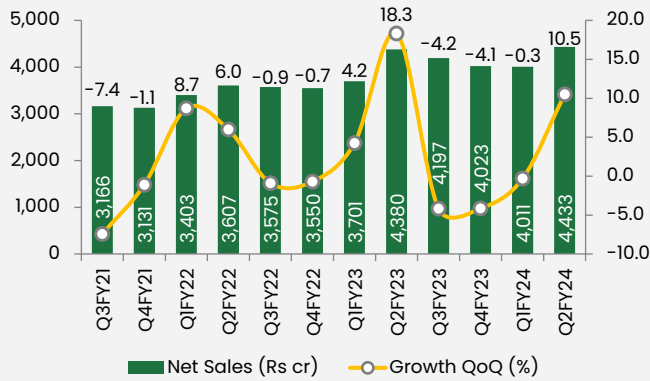
P&L Account Quarterly - consolidated

Particulars, Rs cr	Q2FY24	Q2FY23	Y-o-Y (%)	Q1FY24	Q-o-Q (%)
Net Sales	4,433	4,380	1.2	4,011	10.5
Cost of Raw Materials	2,283	2,246	1.6	2,079	9.8
Purchase of Finished Goods	264	466	(43.4)	246	7.5
(Increase) / Decrease In Stocks	(15)	(38)	-	3.7	-
Raw material cost	2,532	2,675	(5.3)	2,329	8.7
Gross Profit	1,901	1,705	11.5	1,682	13.0
Gross Margins (%)	42.9	38.9	396bps	41.9	95bps
Employee Cost	160	163	(1.7)	188	(15.1)
Other Expense	869	831	4.6	805	8.0
Total Expenditure	3,560	3,668	(2.9)	3,322	7.2
EBITDA	872	712	22.6	689	26.6
EBITDA Margins (%)	19.7	16.3	343bps	17.2	250bps
Depreciation	72	52	38.8	71	1.3
EBIT	801	660	21.3	618	29.5
Other Income	52	53	(1.7)	54	(2.9)
Interest	53	54	(1.3)	53	0.7
PBT (Before profit share)	800	659	21.3	619	29.2
Share of profits	(1.0)	0.1	-	3.0	-
PBT	799	659	21.2	622	28.4
Tax	212	169	25.8	167	27.4
PAT	587	491	19.6	455	28.8
PAT Margin (%)	13.2	11.2	203bps	11.4	187bps
EPS (Rs)	24.3	20.4	19.3	18.9	28.8

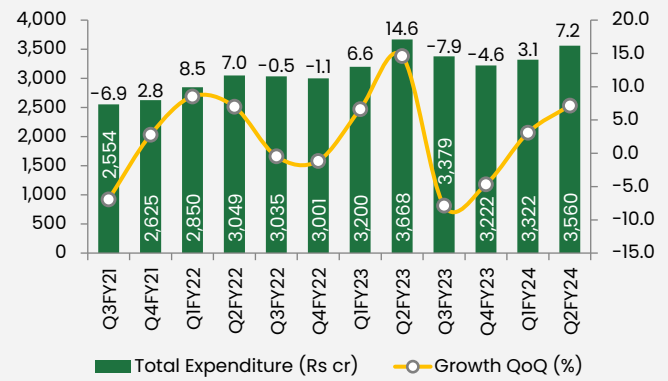
Source : RBL Research

Story in charts

Net Sales grew by 1.2% YoY and 10.5% QoQ

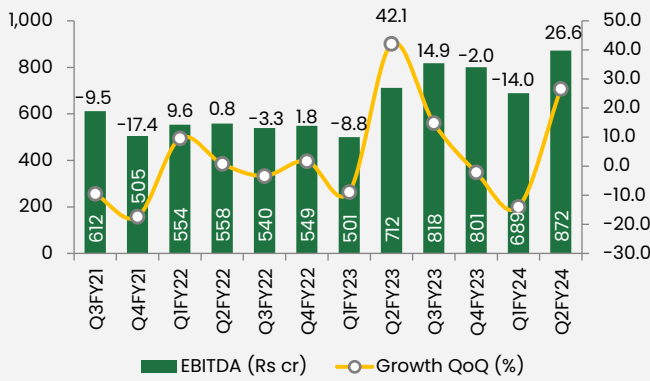


Expenditure decreased by 2.9% YoY but increased by 7.2% QoQ

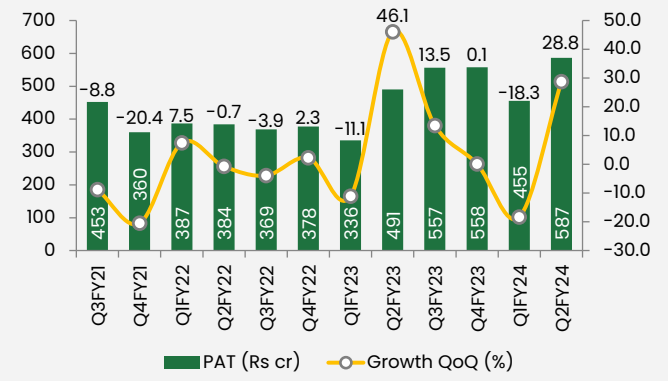


Source : RBL Research

EBITDA grew by 22.6% YoY and 26.6% QoQ

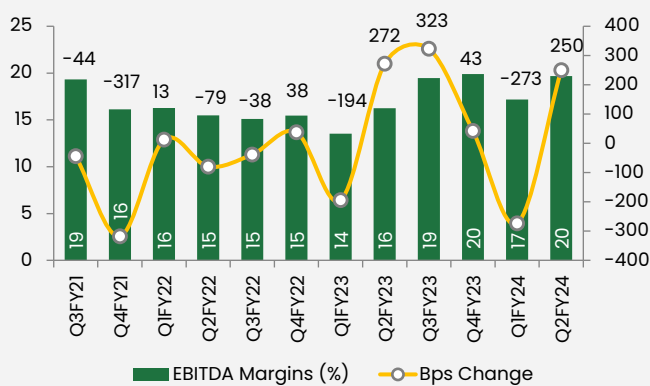


PAT grew by 19.6% YoY and 28.8% QoQ

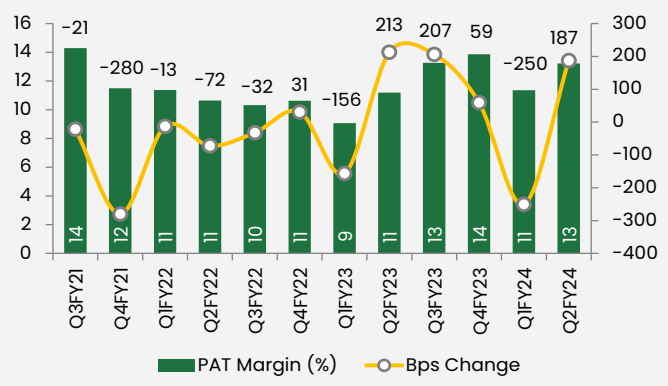


Source : RBL Research

EBITDA margin improved by 343bps YoY and 250bps QoQ



PAT margin improved by 203bps YoY and 187bps QoQ



Source : RBL Research

P&L Account – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Net sales	14,136	16,301	18,746	21,557
Expenditure				
Raw material consumed	7,474	8,327	9,520	10,855
Purchase of stock in trade	1,362	1,337	1,513	1,700
(Increase) / Decrease In Stocks	(75)	(73)	(66)	(50)
Total RM Cost	8,760	9,591	10,968	12,505
Gross Profit	5,376	6,709	7,778	9,052
Gross Profit Margin %	38.0	41.2	41.5	42.0
Employee cost	542	658	694	776
Other expenses	2,632	3,220	3,655	4,161
Total expenditure	11,935	13,470	15,317	17,442
EBITDA	2,202	2,831	3,429	4,116
EBITDAM (%)	15.6	17.4	18.3	19.1
Depreciation	201	226	233	248
PBIT	2,001	2,605	3,195	3,868
Other income	223	216	337	388
Interest expenses	144	169	173	178
PBT	2,080	2,652	3,359	4,078
Tax	562	716	874	1,020
PAT	1,517	1,935	2,486	3,058
PATM (%)	10.7	11.9	13.3	14.2
Exceptional	(1.0)	381.0	-	-
PAT (after exceptional)	1,516	2,316	2,486	3,058
PATM (%)	10.7	14.2	13.3	14.2
EPS (Rs)	63.1	96.4	103.5	127.3

Source : RBL Research

Balance Sheet – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Share Capital	24	24	24	24
Reserves & Surplus	2,534	3,510	3,595	4,132
Total Shareholder's Fund	2,558	3,534	3,619	4,156
Minority Interest	28	30	30	30
Long term borrowings	707	1,552	1,583	1,614
Short term borrowing	1,759	1,429	1,472	1,516
Total Debt	2,466	2,981	3,054	3,130
Deferred tax liabilities	(21)	(31)	(31)	(31)
Long term provision	-	26	26	26
Long term liabilities	66	75	75	75
	45	70	70	70
Current Liabilities				
Trade payables	1,285	1,449	1,656	1,889
Short term provisions	485	513	590	679
Current liabilities	550	675	776	893
	2,321	2,637	3,023	3,460
Total liabilities	7,417	9,252	9,796	10,846
Assets				
Net Block	1,613	2,527	1,723	1,734
Current WIP	538	105	105	105
Goodwill	140	128	128	128
Non current investment	927	1,523	1,752	2,014
Long term L&A	100	150	173	198
Non-current assets	131	72	83	95
	3,448	4,505	3,963	4,275
Current Assets				
Current investments	834	1,801	2,071	2,382
Inventories	1,367	1,193	1,356	1,963
Trade receivables	332	329	378	435
Cash & Bank	176	198	619	172
Short term L&A	698	560	644	741
Current assets	561	665	765	880
	3,969	4,746	5,833	6,571
Total assets	7,417	9,252	9,796	10,846

Source : RBL Research

Cashflow – consolidated

Particulars, Rs cr	FY22	FY23	FY24E	FY25E
Profit before tax	2,079	3,027	3,361	4,080
Add: Depreciation	201	226	233	248
Add: Interest cost	144	169	173	178
Others	(210)	(576)	-	-
Operating profit before WC	2,214	2,846	3,768	4,506
Changes in WC	(327)	406	(44)	(476)
Direct taxes	(587)	(726)	(874)	(1,020)
Cash flow from operating	1,300	2,526	2,850	3,010
Net cash used in Investing				
Purchase of fixed assets	(550)	(590)	(225)	(259)
Purchase/Sales of FA & Invt.	1,048	(1,240)	(499)	(573)
Others	413	312	175	175
Cash flow from Investing	911	(1,517)	(549)	(657)
Cash flow from Financing				
Borrowings	326	518	74	76
Dividend (Incl dividend tax)	(2,485)	(1,359)	(2,403)	(2,523)
Interest cost	(87)	(196)	(173)	(178)
Others	-	9	-	-
Cash flow from Financing	(2,246)	(1,028)	(2,502)	(2,625)
Net cash Inflow/Outflow	(36)	(19)	(201)	(272)
Opening Cash	142	109	103	(98)
Overdraft & Others	3	12	-	-
Bank Balance	67	96	717	542
Closing Cash & Bank	176	198	619	172

Source : RBL Research

Key ratios – consolidated

Particulars	FY22	FY23	FY24E	FY25E
Per share Data				
EPS (Rs)	63.1	80.5	103.5	127.3
Book value per share (Rs)	106.5	147.1	150.6	172.9
Dividend per share	103.4	56.6	100.0	105.0
Dividend Yield (%)	2.3	1.3	2.2	2.3
Dividend Payout (%)	163.9	58.7	96.6	82.5
Profitability Ratios				
EBITDAM(%)	15.6	17.4	18.3	19.1
EBITM (%)	14.2	16.0	17.1	17.9
NPM (%)	10.7	11.9	13.3	14.2
RoCE (%)	26.1	31.3	33.6	37.5
RoE (%)	59.3	54.8	68.7	73.6
Efficiency Data				
Debt-Equity Ratio	1.0	0.8	0.8	0.8
Interest Cover Ratio	13.9	15.4	18.4	21.8
Fixed Asset Ratio	8.7	7.9	8.8	12.5
Debtors (Days)	8.6	7.4	7.4	7.4
Inventory (Days)	66.8	52.3	52.0	66.0
Payable (Days)	62.8	63.5	63.5	63.5
WC (Days)	12.6	-3.8	-4.1	9.9
Valuation				
P/E	71.3	55.9	43.5	35.4
P/BV	42.3	30.6	29.9	26.0
EV/EBIDTA	50.2	39.2	32.3	27.0
EV/Sales	7.8	6.8	5.9	5.2

Source : RBL Research

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

.....

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