



Britannia Consolidated Q4FY23 results were better than expectations.

- Revenue increased by 11% YoY to Rs 40231.8mn aided ~12% increase in packs
- EBIDTA margins improved significantly** to 19.9% from 15.5% on a YoY basis aided by price increase and favorable forward covers on wheat and drop in RPO prices. Raw Materials to Revenue stood at 55.1% v/s 62.% YoY and 56.3% QoQ
- EBIDTA on absolute basis grew by 45.7% YoY to Rs 8008.9mn
- Reported PAT grew by 47.5% to Rs 5576mn
- PAT (adjusted-owners share) grew by 47% YoY to Rs 5587mn

Outlook:

- Necessary Price strategy will be taken to maintain market-share
- Volume growth expected to be better in FY24
- Rural Market Share gains were 1.4x All India
- Endeavour is to maintain EBIDTA margins between 16-19%.
- Capex to moderate post FY24

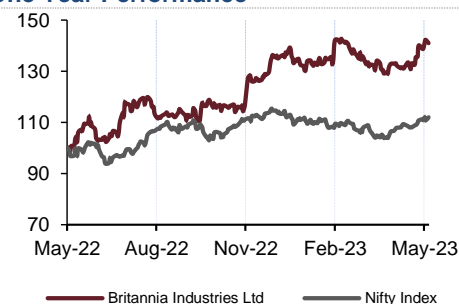
Rating	TP (Rs)	Up/Dn (%)
BUY ON DEEPS	5,100	11

Market data

Current price	Rs	4,602
Market Cap (Rs.Bn)	(Rs Bn)	1,104
Market Cap (US\$ Mn)	(US\$ Mn)	13,501
Face Value	Rs	1
52 Weeks High/Low	Rs	4,700 / 3,156
Average Daily Volume	('000)	338
BSE Code		500825
Bloomberg		BRIT.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Mar-23	Dec-22
Promoters	50.55	50.55
Public	49.45	49.45
Total	100	100

Source: BSE

Financial Summary

Y/E Mar (Rs mn)	FY 20	FY 21	FY 22	FY 23	FY 24E	FY 25E
Net sales	1,15,996	1,31,361	1,41,363	1,63,005	1,77,633	1,93,678
EBIDTA	18,432	25,092	22,015	28,309	30,922	33,682
Margins	15.9	19.1	15.6	17.4	17.4	17.4
PAT (adj)	14,155	18,643	15,255	19,628	22,471	24,655
growth (%)	22.1	31.7	(18.2)	28.7	14.5	9.7
EPS	58.9	77.4	63.3	81.5	93.3	102.3
P/E (x)	78.4	59.5	72.7	56.5	49.3	45.0
P/B (x)	25.2	31.2	43.3	31.4	27.4	21.0
EV/EBITDA (x)	59.5	43.9	50.7	39.0	35.6	32.6
RoE (%)	32.1	52.6	59.6	55.5	55.5	46.7
ROCE (%)	27.9	40.6	39.6	39.8	42.7	41.3

Source: Dalal and Broacha

Kunal Bhatia
+91 22 67141442
kunal.bhatia@dalal-broacha.com

Conference Call KTA's continue

Britannia Q4FY23 Concal KTA's	
VOLUME Growth:	Packets growth @ 12% Volume growth @ ~1%
PRICE HIKE Taken:	
MARKET SHARE:	M. Share gained in the last 10 years Rural MS gains 1.4x of All India
Business Mix:	~77% Biscuits and 23% Non Biscuits non biscuits growth 1.5x
INFLATION	cooling off
1.Food Commodity inflation:	+6% YoY (consumer food price index)
Inflation: Wheat	+4% QoQ +21% YoY
Inflation: Palm Oil	-6% QoQ -14% YoY
Inflation Milk:	+20% QoQ +54% YoY
Laminates:	-5% QoQ -9% YoY
Corrugated Boxes	-7% QoQ -16% YoY
DISTRIBUTION:	Reached 91% weighted distribution But Rural-hidi belt gap is much higher v/s no.1 distribution-led player
1.Rural Dealers:	March-23 @28K March-22 @ 26K
2.Direct Reach in lakhs	26.8 v/s 24.9 in Mar-22 +2 lacs YTD
	Overall reached ~ 67 lac outlets
1.Croissants:	New Orange Variant launched continues to gain traction post National launch – Joins Rs 100 Cr Club base markets (TN &WB) +50% YoY
2.50-50 Golmal:	Extension to South & West
3.New Product Contribution@:	~3.5% of FY23 (i.e. launched in last 24 months)
	NC Seeds, Herbs 50% QoQ growth
4.Innovations:	Milk Bikis Classic: 20% QoQ growth Rich Milk Shakes & Coconut water launched Milk shakes sourced from new factory Distribution reach 2x LY Winkin Cow – Rs 150 Crores Brand transition to PET bottles

Britannia Q4FY23 Concal KTA's	
ADJACENT BUSINESS	
1. Bakery	continues to march on profitable growth trajectory Commercialized 3 new lines in Rusk to enable competitive play in the widely fragmented market Bridged portfolio gaps in Cake and continued to focus on growing profitable segments
2. Dairy	Innovation contribution > 10% Cheese re-branding transition on track "Britannia The Laughing Cow" Winkin Cow is growing at high double-digits Milk Collection scaled-up to 200,000 Litres per day Direct 130K + 70K Supply of SMP & SCM for captive consumption in Bakery from our Dairy Plant
CAPEX:	@ Rs 5-6bn for FY24e Outsourcing @57% v/s 65%
Other KTA's	Other Operating income: @ Rs 1311.6 mn includes Rs 900mn on account of PLI scheme. This was come down to Rs 150-200mn per quarter from FY24 Share of Low unit price v/s Pandemic is similar Gross Margins: will be maintained at Yearly average +/- 1%
Outlook:	Necessary Price strategy will be taken Volume growth expected to be better in FY24 v/s low single digit growth in FY23 Internal estimates ~ 3% inflation Capex to moderate post FY24

Quarterly Financials

Particulars (Rs Mns)	Q4FY23	Q4FY22	Growth	Q3FY23	Growth
Consolidated					
Net Sales	38,920.2	35,083.5	10.9%	41,014.9	-5.1%
Other Op Income	1,311.6	421.0	211.5%	953.1	37.6%
Total OP Income	40,231.8	35,504.5	13.3%	41,968.0	-4.1%
Add: O. Income	563.7	538.3	4.7%	507.5	11.1%
Total Income	40,795.5	36,042.8	13.2%	42,475.5	-4.0%
RAW MATERIALS	(22,159.2)	(21,998.7)	0.7%	(23,646.8)	-6.3%
Employee Cost	(1,705.8)	(1,214.2)	40.5%	(1,782.4)	-4.3%
O. Exps	(8,357.9)	(6,794.8)	23.0%	(8,363.0)	-0.1%
EBIDTA	8,572.6	6,035.1	42.0%	8,683.3	-1.3%
EBIDTA Less O. Inc	8,008.9	5,496.8	45.7%	8,175.8	-2.0%
Less Int	(348.6)	(337.5)	3.3%	(381.3)	-8.6%
Less Depn	(653.3)	(509.3)	28.3%	(579.6)	12.7%
<i>Less Exceptional</i>	-	-		-	
PBT Before Exceptional	7,570.7	5,188.3	45.9%	7,722.4	-2.0%
PBT	7,570.7	5,188.3	45.9%	7,722.4	-2.0%
<i>Extraordinary Net</i>				3,756.0	
Share of Profit/Loss from Associate	40.3	0.8	4937.5%	14.7	174.1%
Minority Interest	-	-		-	
PAT Reportd	5,576.0	3,779.5	47.5%	9,324.0	-40.2%
PAT Adjusted Owner Share	5,586.6	3,798.7	47.1%	5,734.0	-2.6%
Equity	240.9	240.9		240.9	
EPS (Adjusted PAT)	23.2	15.8		23.8	
OPM	19.9%	15.5%		19.5%	
NPM	13.7%	10.5%		13.1%	
Tax Rate	-26.9%	-27.2%		-28.1%	
% to Operating Income					
RAW MATERIALS	-55.1%	-62.0%		-56.3%	
Employee Cost	-4.2%	-3.4%		-4.2%	
O. Exps	-20.8%	-19.1%		-19.9%	
Total	-80.1%	-84.5%		-80.5%	

Source: Dalal & Broacha Research, Company

Valuation

Britannia's management have time and again proved themselves generating excellent results. The company has been gaining market share with better distribution on one end and product innovation on the other.

The management is confident of maintaining the full year gross margins going forward as well.

Focus Non-Biscuits portfolio which now contributes +23% to Revenue is growing 1.5x biscuits portfolio.

We have revised our numbers upwards post concal.

At CMP of Rs 4,602 Britannia trades at 49.3x FY23e EPS of Rs 93 and 45x FY24e EPS of Rs 102. With this kind of consistent performance we believe the **stock will get re-rated thus we maintain BUY ON DIPS with a target price of Rs 5100** (i.e.50x FY25 earnings).

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Operating Income	1,31,361.4	1,41,362.6	1,63,005.5	1,77,633.2	1,93,677.9
Raw materials	(76,261.0)	(87,603.0)	(95,913.0)	(1,04,803.6)	(1,14,270.0)
Employee costs	(5,273.8)	(5,422.6)	(6,583.8)	(7,242.2)	(8,111.2)
Other Expenses	(24,734.3)	(26,321.9)	(32,199.6)	(34,665.5)	(37,614.9)
Cost of sales	(1,06,269.1)	(1,19,347.5)	(1,34,696.4)	(1,46,711.3)	(1,59,996.1)
Operating Profit	25,092.3	22,015.1	28,309.1	30,921.9	33,681.8
Depreciation	(1,978.5)	(2,005.4)	(2,259.1)	(2,496.4)	(2,674.4)
PBIT	23,113.8	20,009.7	26,050.0	28,425.5	31,007.4
Other income	3,129.3	2,228.3	2,158.6	3,327.7	3,375.8
Interest	(1,109.0)	(1,442.9)	(1,691.0)	(1,876.1)	(1,596.1)
Profit before tax	25,134.1	20,795.1	26,517.6	29,877.1	32,787.1
Extraordinary Items / Exceptional	-	-	3,756.0	-	-
Profit before tax (post Excep)	25,134.1	20,795.1	30,273.6	29,877.1	32,787.1
Provision for tax	(6,630.2)	(5,623.5)	(7,164.5)	(7,520.1)	(8,252.5)
Reported PAT	18,503.9	15,171.6	23,109.1	22,357.0	24,534.6
Share of Pft and Loss of Associates and Minority Int	141.2	86.4	108.6	114.0	120.0
Adjusted PAT	18,643.5	15,255.3	19,627.7	22,471.0	24,654.6
Balance Sheet	FY21	FY22	FY23	FY24E	FY25E
Equity capital	240.9	240.9	240.9	240.9	240.9
Reserves	35,235.7	25,340.1	35,101.8	40,228.0	52,555.3
Net worth	35,476.6	25,581.0	35,342.7	40,468.9	52,796.2
Def. Tax Liab.+Minori	363.4	275.0	302.3	356.8	411.3
Secured loans	7,471.5	7,069.9	15,518.0	13,518.0	11,518.0
Unsecured loans	13,571.5	17,585.5	14,287.1	12,287.1	10,287.1
Total debt	21,043.0	24,655.4	29,805.1	25,805.1	21,805.1
CAPITAL EMPLOYED	56,883.0	50,511.4	65,450.1	66,630.8	75,012.6
Gross block	25,111.8	26,682.7	38,076.4	42,076.4	45,076.4
Accumulated depreci	(8,541.3)	(10,546.7)	(12,805.8)	(15,302.2)	(17,976.6)
Net block	16,570.5	16,136.0	25,270.6	26,774.2	27,099.8
Capital WIP	1,165.2	5,356.8	1,050.0	1,050.0	1,050.0
Total fixed assets	17,735.7	21,492.8	26,320.6	27,824.2	28,149.8
Goodwill	1,359.0	1,396.1	1,281.6	1,281.6	1,281.6
Investments	27,806.9	17,623.7	33,242.4	33,242.4	33,242.4
Inventories	10,914.9	13,674.9	11,932.6	13,140.0	14,326.9
Sundry debtors	2,572.7	3,319.3	3,289.4	3,584.6	3,908.4
Cash & bank	2,113.4	1,849.0	1,979.8	2,591.4	10,506.3
Loans & advances	9,995.0	7,980.0	7,100.0	7,100.0	7,100.0
Other current assets	7,493.6	7,302.8	7,808.3	8,354.9	8,939.7
Sundry creditors	(13,147.5)	(12,852.2)	(14,488.1)	(16,653.7)	(18,158.0)
O. Current Liabilities	(6,095.7)	(6,932.5)	(8,180.0)	(8,998.0)	(9,447.9)
Provisions	(3,874.7)	(4,851.1)	(5,390.3)	(5,390.3)	(5,390.3)
Working capital	9,971.7	9,490.2	4,051.7	3,728.9	11,785.1
Deferred Tax Assets	9.7	508.6	553.8	553.8	553.8
Miscellaneous exp.	-	-	-	-	-
CAPITAL DEPLOYED	56,883.0	50,511.4	65,450.1	66,630.8	75,012.6

Cash Flow St. (Rs. m)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	18,639.0	15,248.2	23,217.7	22,471.0	24,654.6
Add: Dep. & Amort.	1,978.5	2,005.4	2,259.1	2,496.4	2,674.4
Cash profits	20,617.5	17,253.6	25,476.8	24,967.5	27,329.0
(Inc)/Dec in					
-Sundry debtors	630.9	(746.6)	29.9	(295.2)	(323.8)
-Inventories	(3,505.3)	(2,760.0)	1,742.3	(1,207.4)	(1,186.9)
-Loans/advances	786.8	2,205.8	374.5	(546.6)	(584.8)
-Sundry creditors	1,984.7	(295.3)	1,635.9	2,165.6	1,504.2
-Others	2,363.1	1,813.2	1,786.7	818.0	449.9
Change in working capital	2,260.2	217.1	5,569.3	934.5	(141.3)
CF from Oper. activities	22,877.7	17,470.7	31,046.1	25,901.9	27,187.7
CF from Inv. activities	(770.5)	4,383.6	(22,591.1)	(4,000.0)	(3,000.0)
CF from Fin. activities	(21,222.3)	(22,118.7)	(8,324.2)	(21,290.3)	(16,272.8)
Cash generated/(utilised)	884.9	(264.4)	130.8	611.6	7,914.9
Cash at start of the year	1,228.5	2,113.4	1,849.0	1,979.8	2,591.4
Cash at end of the year	2,113.4	1,849.0	1,979.8	2,591.4	10,506.3

Ratios	FY21	FY22	FY23	FY24E	FY25E
OPM	19.1	15.6	17.4	17.4	17.4
NPM	13.9	10.6	11.9	12.4	12.5
Tax rate	(26.4)	(27.0)	(23.7)	(25.2)	(25.2)

Growth Ratios (%)

Net Sales	13.2	7.6	15.3	9.0	9.0
Operating Profit	36.1	(12.3)	28.6	9.2	8.9
PAT	31.7	(18.2)	28.7	14.5	9.7

Per Share (Rs.)

Net Earnings (EPS)	77.4	63.3	81.5	93.3	102.3
Cash Earnings (CPS)	86	72	106	104	113
Dividend	118.0	74.5	56.5	72.0	51.2
Book Value	147.3	106.2	146.7	168.0	219.2
Free Cash Flow	91.77	90.72	35.10	90.92	100.41

Valuation Ratios

P/E(x)	59.5	72.7	56.5	49.3	45.0
P/B(x)	31.2	43.3	31.4	27.4	21.0
EV/EBIDTA(x)	43.9	50.7	39.0	35.6	32.6
Div. Yield(%)	2.6	1.6	1.2	1.6	1.1
FCF Yield(%)	2.0	2.0	0.8	2.0	2.2

Return Ratios (%)

ROE	52.6	59.6	55.5	55.5	46.7
ROCE	40.6	39.6	39.8	42.7	41.3

Source: Dalal & Broacha Research, Company

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Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: equity.research@dalal-broacha.com