



Britannia Consolidated Q3FY24 results were in line with expectations.

- Revenue increased by 2.2% YoY to Rs 41918mn with 5.5% volume growth. Price corrective actions were taken to fight local regional competition and maintain market shares
- EBIDTA margins stood at 19.3%** as against 19.5% on a YoY basis, even on a QoQ basis gross margins were stable above 19% mark.
- EBIDTA on absolute basis grew by 0.4% YoY to Rs 8210.9mn
- Reported PAT de-grew by 40.4% YoY to Rs 5556.6mn mainly because last year Q3FY24 had an exceptional item of Rs 3760mn, on account of profit on sale of 49% equity stake in Britannia Dairy Private Limited (BDPL) & fair valuation of balance 51% held in BDPL, pursuant to JV agreement entered with BEL.
- PAT (adjusted-owners share) de-grew by 2.6% YoY to Rs 5585mn

Outlook:

- Double digit volume growth to come in next few quarters.
- Focus remains on maintaining market share and will remain vigilant on commodity/pricing actions to be taken.
- Monitoring stock-price situation of commodities
- Strategy wise remain focused on driving market share while sustaining profitability

Financial Summary

Y/E Mar (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net sales	141,363	163,005	168,510	185,529	204,459
EBIDTA	22,015	28,309	31,714	33,897	37,336
Margins	15.6	17.4	18.8	18.3	18.3
PAT (adj)	15,255	19,519	21,400	23,020	25,891
growth (%)	(18.2)	27.9	9.6	7.6	12.5
EPS	63.3	81.0	88.8	95.6	107.5
P/E (x)	76.9	60.1	54.8	51.0	45.3
P/B (x)	45.9	33.2	29.8	23.1	18.4
EV/EBITDA (x)	53.6	41.3	37.3	34.7	31.4
RoE (%)	59.6	55.2	54.3	45.2	40.6
ROCE (%)	39.6	39.8	42.7	41.0	40.4

Source: Dalal and Broacha

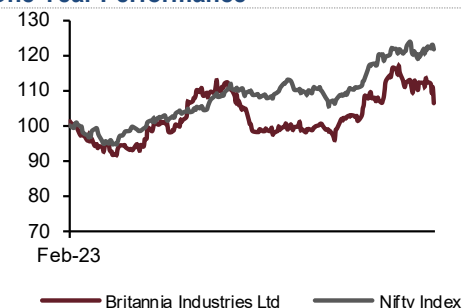
Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	5,375	10

Market data

Current price	Rs	4,871
Market Cap (Rs.Bn)	(Rs Bn)	1,174
Market Cap (US\$ Mn)	(US\$ Mn)	14,154
Face Value	Rs	1
52 Weeks High/Low	Rs	5386.25 / 4153
Average Daily Volume	('000)	1,283
BSE Code		500825
Bloomberg		BRIT.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-23	Sep-23
Promoters	50.55	50.55
Public	49.55	49.55
Total	100	100

Source: BSE

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Conference Call KTA's continue

Britannia Q3FY24 Concal KTA's	
VOLUME Growth:	+5.5%, packet growth ~3.5%
Rural Growth	Urban growth was better than Rural Growth
MARKET SHARE:	gap with 2nd largest player widen
Demand:	Double digit volume growth should come back in next few quarters
	Focus Stats grew 2.4x Rest of India
Pricing Action	YoY ~ -4%
	QoQ ~ -2-3%
	Input cost on a QoQ basis delated 2-3%
Competitive Edge	21C oven can use any kind of fuel depending on the price giving cost efficiency (proprietry technology)
	Last 15 Years: Transitioned from Small Factory 2lines with 1800tpm output to mega food park 17 lines with 16000tpm output

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INFLATION	
1. Food Commodity inflation:	
Inflation: Wheat	Flour -1% QoQ +10% YoY
Inflation: Palm Oil	-2% QoQ -18% YoY
Inflation Sugar:	+7% QoQ +8% YoY
Laminates:	0% QoQ -9% YoY
Corrugated Boxes	-3% QoQ -16% YoY
OTHER COSTS	
1. Ad-Spends & Sales Promotion:	
	no specific comments
2. Cost Efficiency Savings	
	Cost Efficiency target 7x of FY14 One of the best in class with contribution from Procurement+R&D+Sales & Marketing teams
DISTRIBUTION:	
1. Direct Reach in lakhs	
	27.6 in Dec-23 v/s 26.4 Dec-22
	Rural Distribution @ 29K v/s 28K YoY

Conference Call KTA's continue

Other KTA's	Market Share trends have come back
	Inflation in Q3FY24 cooled off faster than expected
	Cheese visibility of Rs 1000crs in 5 years
	19% EBIDTA margins is peak
	E-Com Contribution ~2.9% of total business v/s ~ 1% few years back
Outlook:	Double digit volume growth to come in next few quarters
	monitoring stock-price situation of commodities
	Focus in Market Share growth with necessary price actions
	strategy will remain focused on driving market share while sustaining profitability

Source: Dalal & Broacha Research, Company

Quarterly Financials

Particulars (Rs Mns)	Q3FY24	Q3FY23	Growth	Q2FY24	Growth
Consolidated					
Net Sales	41,918.3	41,014.9	2.2%	43,704.7	-4.1%
Other Op Income	645.0	953.1	-32.3%	624.1	3.3%
Total OP Income	42,563.3	41,968.0	1.4%	44,328.8	-4.0%
Add: O. Income	505.6	507.5	-0.4%	523.5	-3.4%
Total Income	43,068.9	42,475.5	1.4%	44,852.3	-4.0%
RAW MATERIALS	(23,890.8)	(23,646.8)	1.0%	(25,317.6)	-5.6%
Employee Cost	(1,984.6)	(1,782.4)	11.3%	(1,598.7)	24.1%
O. Exps	(8,477.0)	(8,363.0)	1.4%	(8,688.3)	-2.4%
EBIDTA	8,716.5	8,683.3	0.4%	9,247.7	-5.7%
EBIDTA Less O. Inc	8,210.9	8,175.8	0.4%	8,724.2	-5.9%
Less Int	(310.9)	(381.3)	-18.5%	(534.2)	-41.8%
Less Depn	(780.9)	(579.6)	34.7%	(716.8)	8.9%
<i>Less Exceptional</i>	<i>(29.0)</i>	<i>-</i>		<i>-</i>	
PBT Before Exceptional	7,624.7	7,722.4	-1.3%	7,996.7	-4.7%
PBT	7,595.7	7,722.4	-1.6%	7,996.7	-5.0%
<i>Extraordinary Net</i>		<i>3,756.0</i>			
Share of Profit/Loss from Associate	(13.4)	14.7	-191.2%	(10.4)	28.8%
Minority Interest	-	-		-	
PAT Reportd	5,556.6	9,324.0	-40.4%	5,865.0	-5.3%
PAT Adjusted Owner Share	5,585.2	5,734.0	-2.6%	5,875.9	-4.9%
Equity	240.9	240.9		240.9	
EPS (Adjusted PAT)	23.2	23.8		24.4	
OPM	19.3%	19.5%	-0.2%	19.7%	
NPM	13.0%	13.1%		13.1%	
Tax Rate	-26.6%	-28.1%		-26.5%	
% to Operating Income					
RAW MATERIALS	-56.1%	-56.3%	0.2%	-57.1%	
Employee Cost	-4.7%	-4.2%	-0.4%	-3.6%	
O. Exps	-19.9%	-19.9%	0.0%	-19.6%	
Total	-80.7%	-80.5%	-0.2%	-80.3%	

Source: Dalal & Broacha Research, Company

Valuation

F&B Consumption Occasions per day has risen from 3.9 times in 2021 to 5.1 times in 2023. Within this biscuits consumption occasions have also risen from 303 times in a year in 2018 to 370 times in 2023 (*Biscuits forms ~70% of Britannia's Revenue*), going forward taking in to account the rise women workforce, demand for packaged food is bound to increase.

Britannia stands out in the FMCG industry for its focused approach, especially within the bakery space. Unlike other FMCG companies, Britannia opts for less diversification, preferring to move in concentric circles within its core area of expertise.

The management's strategy is crystal clear: expand into adjacent categories where Britannia has the "Right to Succeed." With 11 new plants added in the last decade and an impressive 65% of production conducted in-house, Britannia has laid down the essential building blocks for growth.

In light of the booming Rs 1 trillion Branded FMCG space, which is experiencing double-digit growth, Britannia is poised for significant expansion and succes

The management have time and again proved themselves generating excellent results and are confident of maintaining the current level of EBIDTA margins in near future.

We rollover to FY26 estimates.

At CMP of Rs 4,871 Britannia trades at 51x FY25e EPS of Rs 95.6 and 45.3x FY26e EPS of Rs 107.5
We maintain BUY ON DIPS with a target price of Rs 5,375 (i.e.50x FY26 earnings).

Financials

P&L (Rs mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Operating Income	141,362.6	163,005.5	168,510.0	185,528.9	204,458.6
Raw materials	(87,603.0)	(95,913.0)	(95,824.1)	(106,493.6)	(117,359.2)
Employee costs	(5,422.6)	(6,583.8)	(7,456.0)	(8,350.7)	(9,352.8)
Other Expenses	(26,321.9)	(32,199.6)	(33,515.5)	(36,787.3)	(40,410.4)
Cost of sales	(119,347.5)	(134,696.4)	(136,795.6)	(151,631.7)	(167,122.4)
Operating Profit	22,015.1	28,309.1	31,714.4	33,897.3	37,336.1
Depreciation	(2,005.4)	(2,259.1)	(3,005.8)	(3,284.9)	(3,564.0)
PBIT	20,009.7	26,050.0	28,708.6	30,612.4	33,772.2
Other income	2,228.3	2,158.6	2,091.4	2,022.9	2,371.4
Interest	(1,442.9)	(1,691.0)	(1,686.7)	(1,889.1)	(1,569.1)
Profit before tax	20,795.1	26,517.6	29,113.4	30,746.2	34,574.5
Extraordinary Items / Exceptional	-	3,756.0	-	-	-
Profit before tax (post Excep)	20,795.1	30,273.6	29,113.4	30,746.2	34,574.5
Provision for tax	(5,623.5)	(7,164.5)	(7,652.0)	(7,738.8)	(8,702.4)
Reported PAT	15,171.6	23,109.1	21,461.4	23,007.4	25,872.1
Share of Pft and Loss of Associates and Minority Int	86.4	(0.4)	(53.8)	13.0	19.0
Adjusted PAT	15,255.3	19,518.7	21,399.9	23,020.4	25,891.0

Balance Sheet	FY22	FY23	FY24E	FY25E	FY26E
Equity capital	240.9	240.9	240.9	240.9	240.9
Reserves	25,340.1	35,101.8	39,135.6	50,645.8	63,591.3
Net worth	25,581.0	35,342.7	39,376.5	50,886.7	63,832.2
Def. Tax Liab.+Minority	275.0	302.3	255.8	209.3	162.8
Secured loans	7,069.9	15,518.0	8,010.0	6,010.0	4,010.0
Unsecured loans	17,585.5	14,287.1	19,603.5	17,603.5	15,603.5
Total debt	24,655.4	29,805.1	27,613.5	23,613.5	19,613.5
CAPITAL EMPLOYED	50,511.4	65,450.1	67,245.8	74,709.5	83,608.5
Gross block	26,682.7	38,076.4	43,076.4	47,076.4	51,076.4
Accumulated depreciati	(10,546.7)	(12,805.8)	(15,811.6)	(19,096.4)	(22,660.4)
Net block	16,136.0	25,270.6	27,264.8	27,980.0	28,416.0
Capital WIP	5,356.8	1,050.0	1,050.0	1,050.0	1,050.0
Total fixed assets	21,492.8	26,320.6	28,314.8	29,030.0	29,466.0
Goodwill	1,396.1	1,281.6	1,293.7	1,293.7	1,293.7
Investments	17,623.7	33,242.4	19,377.4	19,377.4	19,377.4
Inventories	13,674.9	11,932.6	12,926.8	13,724.1	15,124.3
Sundry debtors	3,319.3	3,289.4	3,693.4	4,066.4	4,481.3
Cash & bank	1,849.0	1,979.8	13,558.5	20,609.6	28,741.3
Loans & advances	7,980.0	7,100.0	8,000.0	8,000.0	8,000.0
Other current assets	7,302.8	7,808.3	8,354.9	8,939.7	9,565.5
Sundry creditors	(12,852.2)	(14,488.1)	(14,439.2)	(16,047.0)	(17,684.3)
O. Current Liabilities	(6,932.5)	(8,180.0)	(8,998.0)	(9,447.9)	(9,920.3)
Provisions	(4,851.1)	(5,390.3)	(5,390.3)	(5,390.3)	(5,390.3)
Working capital	9,490.2	4,051.7	17,706.0	24,454.6	32,917.6
Deferred Tax Assets	508.6	553.8	553.8	553.8	553.8
Miscellaneous exp.	-	-	-	-	-
CAPITAL DEPLOYED	50,511.4	65,450.1	67,245.8	74,709.5	83,608.5

Cash Flow St. (Rs. mn)	FY22	FY23	FY24E	FY25E	FY26E
Net Profit	15,248.2	23,108.7	21,378.6	23,020.4	25,891.0
Add: Dep. & Amort.	2,005.4	2,259.1	3,005.8	3,284.9	3,564.0
Cash profits	17,253.6	25,367.8	24,384.3	26,305.3	29,455.0
(Inc)/Dec in					
-Sundry debtors	(746.6)	29.9	(404.0)	(373.0)	(414.9)
-Inventories	(2,760.0)	1,742.3	(994.2)	(797.3)	(1,400.3)
-Loans/advances	2,205.8	374.5	(1,446.6)	(584.8)	(625.8)
-Sundry creditors	(295.3)	1,635.9	(48.9)	1,607.7	1,637.3
-Others	1,813.2	1,786.7	818.0	449.9	472.4
Change in working capital	217.1	5,569.3	(2,075.6)	302.5	(331.3)
CF from Oper. activities	17,470.7	30,937.1	22,308.7	26,607.8	29,123.7
CF from Inv. activities	4,383.6	(22,591.1)	8,852.9	(4,000.0)	(4,000.0)
CF from Fin. activities	(22,118.7)	(8,215.2)	(19,582.9)	(15,556.7)	(16,992.0)
Cash generated/utilised	(264.4)	130.8	11,578.7	7,051.1	8,131.7
Cash at start of the year	2,113.4	1,849.0	1,979.8	13,558.5	20,609.6
Cash at end of the year	1,849.0	1,979.8	13,558.5	20,609.6	28,741.3

Ratios	FY22	FY23	FY24E	FY25E	FY26E
OPM	15.6	17.4	18.8	18.3	18.3
NPM	10.6	11.8	12.5	12.3	12.5
Tax rate	(27.0)	(23.7)	(26.3)	(25.2)	(25.2)
Growth Ratios (%)					
Net Sales	7.6	15.3	3.4	10.1	10.2
Operating Profit	(12.3)	28.6	12.0	6.9	10.1
PAT	(18.2)	27.9	9.6	7.6	12.5
Per Share (Rs.)					
Net Earnings (EPS)	63.3	81.0	88.8	95.6	107.5
Cash Earnings (CPS)	72	105	101	109	122
Dividend	74.5	56.5	72.0	47.8	53.7
Book Value	106.2	146.7	163.5	211.2	265.0
Free Cash Flow	90.72	34.64	129.36	93.85	104.29
Valuation Ratios					
P/E(x)	76.9	60.1	54.8	51.0	45.3
P/B(x)	45.9	33.2	29.8	23.1	18.4
EV/EBIDTA(x)	53.6	41.3	37.3	34.7	31.4
Div. Yield(%)	1.5	1.2	1.5	1.0	1.1
FCF Yield(%)	1.9	0.7	2.7	1.9	2.1
Return Ratios (%)					
ROE	59.6	55.2	54.3	45.2	40.6
ROCE	39.6	39.8	42.7	41.0	40.4

Source: Dalal & Broacha Research, Company

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