

**Britannia Consolidated Q2FY24 results were slightly muted on topline but margins much better than expectations.**

- Revenue increased by 1.2% YoY to Rs 44328.8mn with flat volume growth @ +0.2%. Price corrective actions were taken to fight local regional competition and maintain market shares
- **EBIDTA margins improved significantly** to 19.7% from 16.3% on a YoY basis aided by gross margins expansion of 400bps, even on a QoQ basis gross margins improved by ~90 bps.
- EBIDTA on absolute basis grew by 22.6% YoY to Rs 8724.2mn
- Reported PAT grew by 19.6% YoY to Rs 5865mn
- PAT (adjusted-owners share) grew by 19.1% YoY to Rs 5875.9mn

**Outlook:**

- Rural growth slowed. It was 2x of Urban last year which is lower than Urban currently.
- Focus remains on maintaining market share and will remain vigilant on commodity/pricing actions to be taken.
- As commodity prices have cooled off, competition from regional players have increased.
- Growth in Biscuits would be consumption led as Penetration is 94% and in case of Croissant would be penetration led since penetration is only 3%
- Endeavour is to maintain EBIDTA margins in the similar range

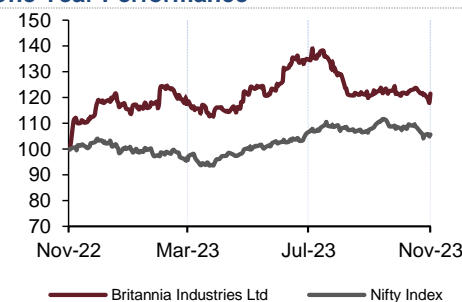
Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>4,940</b>	<b>10</b>

**Market data**

<b>Current price</b>	Rs	<b>4,508</b>
Market Cap (Rs.Bn)	(Rs Bn)	1,090
Market Cap (US\$ Mn)	(US\$ Mn)	13,088
Face Value	Rs	1
52 Weeks High/Low	Rs	70.35 / 3705.45
Average Daily Volume	('000)	403
BSE Code		500825
Bloomberg		BRIT.IN

Source: Bloomberg

**One Year Performance**



Source: Bloomberg

<b>% Shareholding</b>	<b>Sep-23</b>	<b>Jun-23</b>
Promoters	50.55	50.55
Public	49.45	49.45
Total	100	100

Source: BSE

**Financial Summary**

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net sales	131,361	141,363	163,005	171,454	188,708
EBIDTA	25,092	22,015	28,309	31,101	34,775
Margins	19.1	15.6	17.4	18.1	18.4
PAT (adj)	18,643	15,255	19,628	21,135	23,793
growth (%)	31.7	(18.2)	28.7	7.7	12.6
EPS	77.4	63.3	81.5	87.7	98.8
P/E (x)	58.2	71.2	55.3	51.4	45.6
P/B (x)	30.6	42.5	30.7	27.8	21.3
EV/EBITDA (x)	43.0	49.6	38.2	35.2	31.4
RoE (%)	52.6	59.6	55.5	54.0	46.6
ROCE (%)	40.6	39.6	39.8	42.0	42.1

Source: Dalal and Broacha

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## Conference Call KTA's continue

Britannia Q2FY24 Concal KTA's	
<b>VOLUME Growth:</b>	+20bps, packet growth also flat
<b>Rural Growth</b>	It was 2x of Urban last year which is lower than Urban currently.
<b>MARKET SHARE:</b>	gap with 2nd largest player widen Ms Urban = 1.3x Rural Distribution Urban 1.2x Rural
<b>Demand:</b>	Growth Rate in Hindi Belt has slowed due to Rural slowdown. Agri Eco not done well
<b>Food and Beverage Industry Size:</b>	F&B Market = Rs 40tn growth CAGR @ 11% Branded F&B = Rs 9tn CAGR @ 12% Britannia Addressable Mkt = Rs 1Tn CAGR @ 11%
<b>Products with High Penetration levels:</b>	Biscuits: 94%, Breads 90%, Rusks 82%
<b>Products with Low Penetration levels:</b>	Croissant 3%, Cheese 21%

## Conference Call KTA's continue

<b>10 Years Achievements</b>	Direct Reach up 4x
	Rural Distribution up 7x
	4 Products +1000crs
	Innovative Products 10% contribution
	Newer categories entered 4, Newer Geographies entered 4
	Strategic Alliance: Chipita, Bel Sa
	Own Manu Facturing @ 65%, with 11 new plants
	Cost Reduction Rs 2000crs
<b>INFLATION</b>	
<b>1.Food Commodity inflation:</b>	
Inflation: Wheat	Flour +5% QoQ    +6% YoY
Inflation: Palm Oil	-7% QoQ    -28% YoY
Inflation Sugar:	-1% QoQ    +1% YoY
Laminates:	-2% QoQ    -16% YoY
Corrugated Boxes	-2% QoQ    -22% YoY
<b>OTHER COSTS</b>	
<b>1. Ad-Spends &amp; Sales Promotion:</b>	raised Ad/Promotion spends by 1.5%
<b>2. Cost Efficiency Savi</b>	Cost Efficiency target 7x of FY14
<b>DISTRIBUTION:</b>	
<b>1.Direct Reach in lakhs</b>	27.3 in Sept-23 v/s 26 Sept-22
	Overall from 53.9 lakh in FY19 to 66.2 in Sept 23 mainly driven by direct reach

## Conference Call KTA’s continue

<b>PRODUCTS:</b>	
<b>New Product Contribution:</b>	Jim Jam Pops, Gol Mal 50:50, Makhana, trianular cheese and Cheese Spreads contribute ~ Rs 200 crs PA
	Makhana, not commoditised will be tested in mordern trade and E-Commerce
<b>ADJACENT BUSINESS</b>	
<b>1. Bakery</b>	<p><b>Cakes:</b> Innovations continue to outperform - Big Swiss Roll, Brownies &amp; Cupcake LUP    </p> <p><b>Rusk : Topline</b> decline on the back of increasing competitive intensity from local players    </p> <p><b>Bread</b> – Continues profitable growth trajectory</p>
<b>2. Dairy</b>	<p><b>Cheese:</b> - High double-digit growths, contributed by Base &amp; Differentiated formats, Cheese plant commercialized with Cheddar cheese, Processed cheese to start-up by Q4’23 as planned</p> <p><b>Supply</b> of <i>whey powder</i>, in addition to SMP, SCM &amp; Butter for captive consumption in Bakery</p>
<b>3. International</b>	<p><b>Middle East &amp; Africa</b> high-double digit with improved margins.   <b>Egypt</b> continues to perform well. Double-digit profitable growth in Rest of International, led by America.   <b>Nepal</b> continues profitable growth trajectory</p>
<b>Other KTA's</b>	<p>Margins to be maintained @ current levels</p> <p><b>Employee Cost:</b> will return back to normal levels</p>
<b>Outlook:</b>	<p>monitoring stock-price situation of commodities</p> <p>Focus in Market Share growth with necessary price actions</p> <p>strategy will remain focused on driving market share while sustaining profitability</p>

## Quarterly Financials

Particulars (Rs Mns)	Q2FY24	Q2FY23	Growth	Q1FY24	Growth
<b>Consolidated</b>					
Net Sales	43,704.7	43,375.9	0.8%	39,698.4	10.1%
Other Op Income	624.1	420.2	48.5%	408.6	52.7%
<b>Total OP Income</b>	<b>44,328.8</b>	<b>43,796.1</b>	<b>1.2%</b>	<b>40,107.0</b>	<b>10.5%</b>
Add: O. Income	523.5	532.4	-1.7%	539.3	-2.9%
<b>Total Income</b>	<b>44,852.3</b>	<b>44,328.5</b>	<b>1.2%</b>	<b>40,646.3</b>	<b>10.3%</b>
RAW MATERIALS	(25,317.6)	(26,745.7)	-5.3%	(23,286.8)	8.7%
Employee Cost	(1,598.7)	(1,625.7)	-1.7%	(1,883.4)	-15.1%
O. Exps	(8,688.3)	(8,307.7)	4.6%	(8,048.0)	8.0%
EBIDTA	9,247.7	7,649.4	20.9%	7,428.1	24.5%
<b>EBIDTA Less O. Inc</b>	<b>8,724.2</b>	<b>7,117.0</b>	<b>22.6%</b>	<b>6,888.8</b>	<b>26.6%</b>
Less Int	(534.2)	(541.4)	-1.3%	(530.5)	0.7%
Less Depn	(716.8)	(516.6)	38.8%	(707.6)	1.3%
<i>Less Exceptional</i>	-	-		-	
<b>PBT Before Exceptional</b>	<b>7,996.7</b>	<b>6,591.4</b>	<b>21.3%</b>	<b>6,190.0</b>	<b>29.2%</b>
PBT	7,996.7	6,591.4	21.3%	6,190.0	29.2%
<i>Extraordinary Net</i>					
Share of Profit/Loss from Associate	(10.4)	0.6	-1833.3%	29.9	-134.8%
Minority Interest	-	-		-	
PAT Reportd	5,865.0	4,905.8	19.6%	4,554.5	28.8%
<b>PAT Adjusted Owner Share</b>	<b>5,875.9</b>	<b>4,932.8</b>	<b>19.1%</b>	<b>4,575.5</b>	<b>28.4%</b>
Equity	240.9	240.9		240.9	
<b>EPS ( Adjusted PAT)</b>	<b>24.4</b>	<b>20.5</b>		<b>19.0</b>	
OPM	19.7%	16.3%		17.2%	
NPM	13.1%	11.1%		11.2%	
Tax Rate	-26.5%	-25.6%		-26.9%	
<b>% to Operating Income</b>					
RAW MATERIALS	-57.1%	-61.1%		-58.1%	
Employee Cost	-3.6%	-3.7%		-4.7%	
O. Exps	-19.6%	-19.0%		-20.1%	
Total	-80.3%	-83.7%		-82.8%	

Source: Dalal & Broacha Research, Company

## Valuation

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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 77% of Britannia's Revenue*), going forward taking in to account the rise women workforce, demand for packaged food is bound to increase.

Britannia (in the FMCG sapce) is a comparitively Focused v/s others in FMCG industry, having less diversification and moves in concentric circle within the Bakery Space.

The management has a clear focus to expand in adjacent categories where it has "Right to Succeed". With 11 new plants added in the last decade and having 65% production in-house Britannia has the right bulding blocks in place to grow in the Rs 1 trillion Branded FMCG space which itself is growing at double digit.

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.

At CMP of Rs 4508 Britannia trades at 51x FY24e EPS of Rs 87.7 and 46x FY25e EPS of Rs 99 We maintain BUY ON DIPS with a target price of Rs 4940 (i.e.50x FY25 earnings).

## Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24E	FY25E
Net Operating Income	131,361.4	141,362.6	163,005.5	171,453.6	188,708.1
Raw materials	(76,261.0)	(87,603.0)	(95,913.0)	(99,321.2)	(108,884.5)
Employee costs	(5,273.8)	(5,422.6)	(6,583.8)	(7,327.5)	(8,206.8)
Other Expenses	(24,734.3)	(26,321.9)	(32,199.6)	(33,704.2)	(36,841.7)
Cost of sales	(106,269.1)	(119,347.5)	(134,696.4)	(140,352.9)	(153,933.1)
<b>Operating Profit</b>	<b>25,092.3</b>	<b>22,015.1</b>	<b>28,309.1</b>	<b>31,100.8</b>	<b>34,775.0</b>
Depreciation	(1,978.5)	(2,005.4)	(2,259.1)	(2,905.8)	(3,175.6)
PBIT	23,113.8	20,009.7	26,050.0	28,195.0	31,599.4
Other income	3,129.3	2,228.3	2,158.6	2,163.0	2,091.9
Interest	(1,109.0)	(1,442.9)	(1,691.0)	(2,254.7)	(2,055.5)
Profit before tax	25,134.1	20,795.1	26,517.6	28,103.3	31,635.8
Extraordinary Items / Exceptional	-	-	3,756.0	-	-
Profit before tax (post Excep)	25,134.1	20,795.1	30,273.6	28,103.3	31,635.8
Provision for tax	(6,630.2)	(5,623.5)	(7,164.5)	(7,082.0)	(7,962.7)
<b>Reported PAT</b>	<b>18,503.9</b>	<b>15,171.6</b>	<b>23,109.1</b>	<b>21,021.3</b>	<b>23,673.1</b>
Share of Pft and Loss of Associates and Minority Int	141.2	86.4	108.6	114.0	120.0
<b>Adjusted PAT</b>	<b>18,643.5</b>	<b>15,255.3</b>	<b>19,627.7</b>	<b>21,135.3</b>	<b>23,793.1</b>

<b>Balance Sheet</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
Equity capital	240.9	240.9	240.9	240.9	240.9
Reserves	35,235.7	25,340.1	35,101.8	38,892.3	50,788.8
<b>Net worth</b>	<b>35,476.6</b>	<b>25,581.0</b>	<b>35,342.7</b>	<b>39,133.2</b>	<b>51,029.7</b>
Def. Tax Liab.+Minority	363.4	275.0	302.3	356.8	411.3
Secured loans	7,471.5	7,069.9	15,518.0	8,010.0	6,010.0
Unsecured loans	13,571.5	17,585.5	14,287.1	19,603.5	17,603.5
Total debt	21,043.0	24,655.4	29,805.1	27,613.5	23,613.5
<b>CAPITAL EMPLOYED</b>	<b>56,883.0</b>	<b>50,511.4</b>	<b>65,450.1</b>	<b>67,103.5</b>	<b>75,054.5</b>
Gross block	25,111.8	26,682.7	38,076.4	43,076.4	47,076.4
Accumulated depreciati	(8,541.3)	(10,546.7)	(12,805.8)	(15,711.6)	(18,887.1)
Net block	16,570.5	16,136.0	25,270.6	27,364.8	28,189.3
Capital WIP	1,165.2	5,356.8	1,050.0	1,050.0	1,050.0
<b>Total fixed assets</b>	<b>17,735.7</b>	<b>21,492.8</b>	<b>26,320.6</b>	<b>28,414.8</b>	<b>29,239.3</b>
Goodwill	1,359.0	1,396.1	1,281.6	1,293.7	1,293.7
Investments	27,806.9	17,623.7	33,242.4	19,377.4	19,377.4
Inventories	10,914.9	13,674.9	11,932.6	13,152.6	13,959.2
Sundry debtors	2,572.7	3,319.3	3,289.4	3,757.9	4,136.1
Cash & bank	2,113.4	1,849.0	1,979.8	13,552.9	20,800.8
Loans & advances	9,995.0	7,980.0	7,100.0	8,000.0	8,000.0
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)	(14,966.2)	(16,407.3)
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)
<b>Working capital</b>	<b>9,971.7</b>	<b>9,490.2</b>	<b>4,051.7</b>	<b>17,463.8</b>	<b>24,590.4</b>
Deferred Tax Assets	9.7	508.6	553.8	553.8	553.8
Miscellaneous exp.	-	-	-	-	-
<b>CAPITAL DEPLOYED</b>	<b>56,883.0</b>	<b>50,511.4</b>	<b>65,450.1</b>	<b>67,103.5</b>	<b>75,054.5</b>



Cash Flow St. (Rs. mn)	FY21	FY22	FY23	FY24E	FY25E
Net Profit	18,639.0	15,248.2	23,217.7	21,135.3	23,793.1
Add: Dep. & Amort.	1,978.5	2,005.4	2,259.1	2,905.8	3,175.6
<b>Cash profits</b>	<b>20,617.5</b>	<b>17,253.6</b>	<b>25,476.8</b>	<b>24,041.1</b>	<b>26,968.6</b>
(Inc)/Dec in					
-Sundry debtors	630.9	(746.6)	29.9	(468.5)	(378.2)
-Inventories	(3,505.3)	(2,760.0)	1,742.3	(1,220.0)	(806.6)
-Loans/advances	786.8	2,205.8	374.5	(1,446.6)	(584.8)
-Sundry creditors	1,984.7	(295.3)	1,635.9	478.1	1,441.1
-Others	2,363.1	1,813.2	1,786.7	818.0	449.9
Change in working capit	2,260.2	217.1	5,569.3	(1,839.0)	121.3
<b>CF from Oper. activiti</b>	<b>22,877.7</b>	<b>17,470.7</b>	<b>31,046.1</b>	<b>22,202.1</b>	<b>27,090.0</b>
<b>CF from Inv. activities</b>	<b>(770.5)</b>	<b>4,383.6</b>	<b>(22,591.1)</b>	<b>8,852.9</b>	<b>(4,000.0)</b>
<b>CF from Fin. activities</b>	<b>(21,222.3)</b>	<b>(22,118.7)</b>	<b>(8,324.2)</b>	<b>(19,481.9)</b>	<b>(15,842.0)</b>
<b>Cash generated/utilis</b>	<b>884.9</b>	<b>(264.4)</b>	<b>130.8</b>	<b>11,573.1</b>	<b>7,247.9</b>
Cash at start of the year	1,228.5	2,113.4	1,849.0	1,979.8	13,552.9
Cash at end of the year	2,113.4	1,849.0	1,979.8	13,552.9	20,800.8

<b>Ratios</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23</b>	<b>FY24E</b>	<b>FY25E</b>
OPM	19.1	15.6	17.4	18.1	18.4
NPM	13.9	10.6	11.9	12.2	12.5
Tax rate	(26.4)	(27.0)	(23.7)	(25.2)	(25.2)
<b>Growth Ratios (%)</b>					
Net Sales	13.2	7.6	15.3	5.2	10.1
Operating Profit	36.1	(12.3)	28.6	9.9	11.8
PAT	31.7	(18.2)	28.7	7.7	12.6
<b>Per Share (Rs.)</b>					
Net Earnings (EPS)	77.4	63.3	81.5	87.7	98.8
Cash Earnings (CPS)	86	72	106	100	112
Dividend	118.0	74.5	56.5	72.0	49.4
Book Value	147.3	106.2	146.7	162.4	211.8
Free Cash Flow	91.77	90.72	35.10	128.91	95.85
<b>Valuation Ratios</b>					
<b>P/E(x)</b>	<b>58.2</b>	<b>71.2</b>	<b>55.3</b>	<b>51.4</b>	<b>45.6</b>
P/B(x)	30.6	42.5	30.7	27.8	21.3
EV/EBIDTA(x)	43.0	49.6	38.2	35.2	31.4
Div. Yield(%)	2.6	1.7	1.3	1.6	1.1
<b>FCF Yield(%)</b>	<b>2.0</b>	<b>2.0</b>	<b>0.8</b>	<b>2.9</b>	<b>2.1</b>
<b>Return Ratios (%)</b>					
ROE	52.6	59.6	55.5	54.0	46.6
ROCE	40.6	39.6	39.8	42.0	42.1

Source: Dalal & Broacha Research, Company

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