

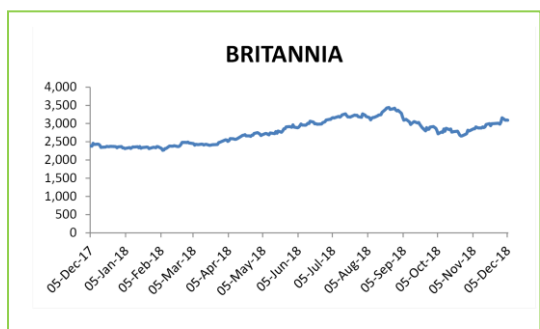
December 7, 2018

Rating:	BUY
Ticker:	BRITANNIA
CMP:	Rs. 2986
Target:	Rs.3427
Upside:	15%

Key Stock Data	
Sector	FMCG
No. of shares	12 Crs
FV (Rs)	1
MCAP (Rs)	71,817 Crs
MCAP (\$)	20 Crs

Key Financials (Rs. in Crs)			
Y/E March	FY18 A	FY19 E	FY20 E
Revenue	10,156	11,375	12,853
EBITDA	1667	1820	2185
PAT	1003	1137	1285
EPS /sh.	83.65	94.79	107.11
BV /sh.	283	312	358
P/BV (x)	21.04	19.13	16.63
PE (x)	71.39	63	55.75
ROE	29%	30%	30%

Shareholding Pattern	
Promoters	50.66%
FIIs	18.05%
DIIIs	5.96%
Others	25.3%



Research Analyst
 Foram Parekh
Foram.parekh@indiabulls.com

Britannia Industries Ltd. - BRITANNIA

2QFY19 Result Update

The Company reported good set of 2QFY19 numbers on all counts on a yearly as well as on a quarterly basis. The topline of the company grew by 12% Y-o-Y and 13% Q-o-Q to Rs.2,913 Crs in 2QFY19 as against Rs.2596 Crs in 2QFY18. EBITDA for the quarter grew by 16% both on a sequential as well as on a yearly basis to Rs. 498 Crs in 2QFY19 as against Rs.428 Crs in 2QFY18. PAT for the quarter grew by 17% Q-o-Q and 16% Y-o-Y to Rs. 303 Crs in 2QFY19 as against Rs. 261 Crs in 2QFY18. EBITDA Margin increased by 43bps Q-o-Q to 17% as against 16.50% in 2QFY18. PAT Margin increased by 35 bps Y-o-Y to 10.40% in 2QFY19 as against 10.05% in 2QFY18.

Strong Volume Growth

The strong volume growth is primarily driven by positive momentum in the market. The jump in the top-line is owing to the jump of 12% Y-o-Y growth in its volume. Britannia for the 4th consecutive quarter reported a volume growth in double digits. We feel on account of the premiumisation of products portfolio and continuation of strong demand both in the rural and urban area will lead to continuation of double digit volume growth in the upcoming quarters.

Outlook & Valuations

BRITANNIA has been one of the most stable performers and has been growing at a CAGR of above 20% on a bottom-line over a period of 5 years from FY14-18. Britannia has a good distribution network which helps it outperform the industry. Currently the stock is trading at a PE multiple of 55x on an FY20 E basis. On account of its track record of maintaining stable performance and various new product launches, we would like to allot a PE multiple of 64x on an FY20E basis to bring it to a target price of Rs. 3427.

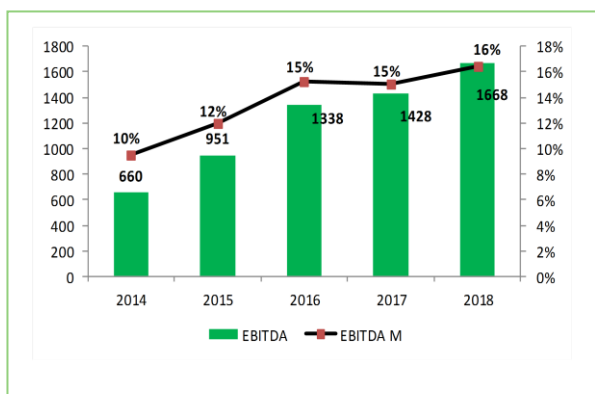
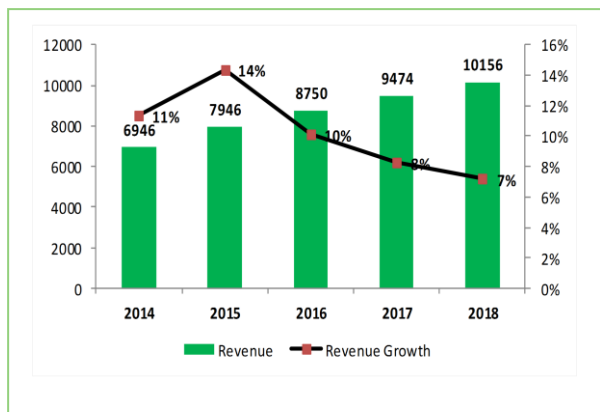
Quarterly Financial Highlight Table (Rs. In Crs)

Particulars	2QFY19	1QFY19	2QFY18	Q/Q	Y/Y	FY2018
Revenue	2913	2585	2596	13%	12%	10156
EBITDA	498	431	428	16%	16%	1667
PAT	303	258	261	17%	16%	1003
EPS	25.22	21.51	21.73	17%	16%	83.65
EBITDA M	17.11%	16.68%	16.50%	43 bps	61 bps	17%
PAT M	10.40%	9.98%	10.05%	42 bps	35 bps	10%

Investment Rationale

1. Consistent Performance over the years

Britannia has been very consistent in its performance over a period of 5 years. The top-line has been consistently growing at a CAGR of 11% over a period of 5 years from FY13-18. Its bottom-line has been growing at a CAGR of good 31% over the same period of 5 years from FY13-18. The core reason for this sustainable growth is due to continuation of highly innovated products, efficiently maintaining its cost and good distribution network. We believe Britannia will continue to maintain its CAGR in the coming years as well on account of the introduction of new products.

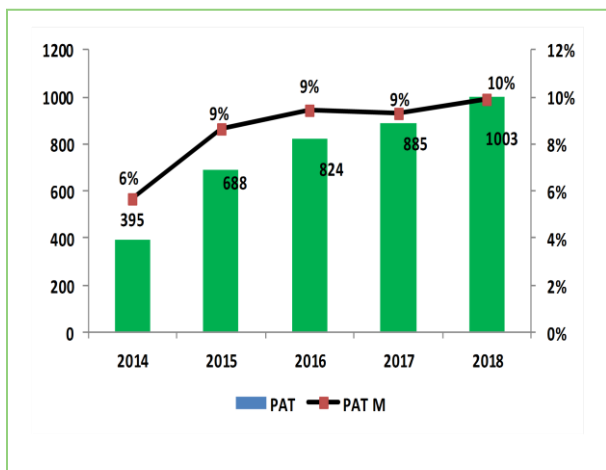


2. Cost efficiency measures to drive margins

Though there is a marginal rise in the raw-material prices, Britannia’s margin expanded due to low-priced inventory and a better product mix. We believe the margin expansion will continue, on account of price hikes, its accelerated cost-saving programs, premiumisation and a higher share of its international business. Management aims to increase in-house manufacture to 65% from currently 55% which will further expand margins.

3. New launches underway

The company is looking to launch more than 25 new products over the next two years. This also includes enhancing innovation in categories such as Sandwich cream biscuit which will bridge the gap between biscuit and chocolate. The company is also evaluating Karachi biscuits—traditionally the forte of regional players. Britannia believes the key is to have six months’ shelf life along with an affordable price to capture market share from unorganized players. Other launches in the pipeline which are being evaluated are chocolate coated Marie biscuits, mango flavoured Tiger biscuits, granola bars, protein-filled biscuits and multiple variants of cheese.



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Britannia is the value leader in the biscuit category and is a 100 year old brand in India

Britannia is focused on driving growth through its 7 power brands – GoodDay, Tiger, Marie, Milk Bikis, 50:50, Treat and Nutri Choice

Rural slowdown is also a major risk which the company will have to face

Rise in inflation will lead to increase in the raw material prices

The company is aiming at reducing the gap with parle and is able to do so by its innovative products which will lead to increase in its market share

On account of its track record of maintaining stable performance and various new product launches, we would like to allot a PE multiple of 64x on an FY20E basis to bring it to a target price of Rs. 3427.

Company Background

Britannia is the value leader in the biscuit category and is a 100 year old brand in India. Britannia has a presence in the biscuit, bread, cakes, rusk and dairy segment. In biscuits the company has brands like Good Day, Crackers, Nutrigo, Marie Gold, Tiger, Milk Bikis, Jim Jam, Bourbon, Little Hearts, Pure Magic and Nice Time. These brands are present in close to 3.6mn outlets. Britannia is focused on driving growth through its 7 power brands – GoodDay, Tiger, Marie, Milk Bikis, 50:50, Treat and Nutri Choice. Britannia is present in dairy with value added products like cheese, yogurt, flavoured milk, butter etc and plans to go for full integration of this business.

Risk & Concerns

1. Rise in inflation will lead to increase in the raw material prices like wheat, flour, milk which can lead to pressure on the gross margins.
2. Rural slowdown is also a major risk which the company will have to face. Biscuits are highly penetrated category and any slowdown in the rural demand can be a risk to the company. rural areas, will lead to slowing of the category growth rates

Outlook & Valuations

BRITANNIA has been one of the most stable performers and has been growing at a CAGR of above 20% on a bottom-line over a period of 5 years from FY14-18. Britannia is not only launching new products but also revamping its old brands. Britannia has a good distribution network which helps it outperform the industry. The company is aiming at reducing the gap with parle and is able to do so by its innovative products which will lead to increase in its market share. Currently the stock is trading at a PE multiple of 55x on an FY20 E basis. On account of its track record of maintaining stable performance and various new product launches, we would like to allot a PE multiple of 64x on an FY20E basis to bring it to a target price of Rs. 3427.

Analyst Stock Rating	
Ratings	Expected absolute returns over 12 months
BUY	>15%
HOLD	10- 15%
REDUCE	<10%

Research Analyst:

Foram Parekh – Fundamental Analyst – Equity Email: foram.parekh@indiabulls.com

Indiabulls Ventures Limited is a SEBI Registered Research Analyst having registration number: INH100004906

Disclosure:

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Indiabulls Ventures Limited : www.indiabulls.com

Corporate Office: Indiabulls Ventures Limited, Indiabulls Finance Center, Tower 1, 8th floor, SenapatiBapatMarg, Elphinstone Road (W), Mumbai – 400013.