

05 May 2024

India | Equity Research | Q4FY24 results review

Britannia Industries

Consumer Staples & Discretionary

Improving market shares; Profitability intact

Britannia's Q4FY24 revenue growth of ~3% YoY was largely volume-led (~6% YoY), though its trajectory largely remained similar in the context of current demand and competitive environment. Return of market share gain trajectory despite resurgence of competition and continued outperformance in focus states are key positives led by continued distribution expansion and increased brand investments. Margins continue to be significantly elevated vs historical levels with gross margin being largely similar YoY at ~45% while EBITDA margin corrected marginally to 19.4% due to increased ad-spends. It continues to drive (1) distribution expansion and (2) strong performance in rural markets and focus states, with focus on driving market share gains while maintaining profitability. That said, material success of (at least a few) new segments and ramp-up of adjacent categories is imperative. **ADD**.

Stable volume growth trajectory with market share gains

Consolidated sales were up 3% YoY. It delivered a volume-led (~6% YoY as per our estimates) domestic sales growth of though volume growth trajectory remained similar as demand and competitive environment remained unchanged. Management highlighted return of market share gain trajectory as FY24 progressed with pricing corrections (~3% YoY) to maintain competitiveness, increased brand investments and distribution expansion. Market share gain trajectory despite resurgence of competition with correction in input prices is impressive (unlike other categories where large organised players have lost market shares). Distribution expansion continues to be robust with direct reach and rural distributors at 2.8mn outlets (vs 2.7mn as of Mar'23) and ~30k (vs 28k as of Mar'23). Focus states growth continues to outperform other regions led by distribution expansion. Organised trade (modern trade and e-commerce) had double-digit growth in FY24.

Operating margins largely sustained with increased ad-spends

Consol. gross margin remained stable at 44.9% as commodity basket prices largely remained stable. EBITDA margin though declined by 56bps QoQ to 19.4% driven largely by higher brand investments (other operating expenses were up 78bps YoY). We expect ad-spends intensity to continue with increased competition and to support new product launches.

Financial Summary

Y/E March (INR mn)	FY23A	FY24A	FY25E	FY26E
Net Revenue	1,59,849	1,65,462	1,82,100	2,02,671
EBITDA	28,309	31,698	34,877	38,838
EBITDA Margin (%)	17.7	19.2	19.2	19.2
Net Profit	19,462	21,427	24,191	27,200
EPS (INR)	80.8	88.9	100.4	112.9
EPS % Chg YoY	27.6	10.1	12.9	12.4
P/E (x)	58.7	53.3	47.2	42.0
EV/EBITDA (x)	40.7	36.0	32.6	29.1
RoCE (%)	32.8	33.5	39.0	41.2
RoE (%)	63.3	56.9	56.4	54.6

Manoj Menon

manoj.menon@icicisecurities.com
+91 22 6807 7209

Varun Singh

varun.singh@icicisecurities.com

Karan Bhuwania

karan.bhuwania@icicisecurities.com

Akshay Krishnan

akshay.krishnan@icicisecurities.com

Market Data

Market Cap (INR)	1,143bn
Market Cap (USD)	13,698mn
Bloomberg Code	BRIT IN
Reuters Code	BRIT.BO
52-week Range (INR)	5,386 / 4,348
Free Float (%)	49.0
ADTV-3M (mn) (USD)	19.3

Price Performance (%)	3m	6m	12m
Absolute	(7.9)	4.5	4.8
Relative to Sensex	(10.3)	(10.3)	(15.9)

Earnings Revisions (%)	FY25E
Revenue	(4.4)
EBITDA	(3.6)
EPS	(4.9)

Previous Reports

03-11-2023: [Q2FY24 results review](#)

06-08-2023: [Q1FY24 results review](#)

Valuation and risks

We cut our earnings estimates by ~5% or FY25E; modelling revenue / EBITDA / PAT CAGR of 11% / 11% / 13% over FY24-26E. Maintain ADD with a DCF-based revised target price of INR 5,000 (was INR 5,100 earlier). Key upside risk to our thesis is faster-than-expected revenue growth in core biscuits. Key downside risk is sustained weakness in consumption demand.

Exhibit 1: Q4FY24 results review (Consolidated)

INR mn	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Net revenue	40,694	40,232	1	42,563	(4)	1,67,693	1,63,006	3
COGS	(22,425)	(22,159)	1	(23,891)	(6)	(94,920)	(95,913)	(1)
Gross profit	18,269	18,073	1	18,673	(2)	72,772	67,093	8
Staff cost	(1,620)	(1,706)	(5)	(1,985)	(18)	(7,087)	(6,584)	8
Other opex	(8,774)	(8,358)	5	(8,477)	4	(33,987)	(32,200)	6
Total opex	(10,394)	(10,064)	3	(10,462)	(1)	(41,074)	(38,783)	6
EBITDA	7,875	8,009	(2)	8,211	(4)	31,699	28,309	12
Other income	573	564	2	506	13	2,142	2,159	(1)
Finance Cost	(264)	(349)	(24)	(311)	(15)	(1,640)	(1,691)	(3)
D&A	(799)	(653)	22	(781)	2	(3,005)	(2,259)	33
PBT	7,384	7,571	(2)	7,625	(3)	29,196	26,518	10
Tax	(1,980)	(2,035)	(3)	(2,026)	(2)	(7,793)	(7,165)	9
PAT before MI	5,404	5,536	(2)	5,599	(3)	21,403	19,353	11
Minority Interest	(21)	51		(6)		24	109	
PAT after MI	5,383	5,587	(4)	5,593	(4)	21,427	19,462	10
EPS (Rs)	22.4	23.0	(2)	23.2	(3)	88.8	80.3	11
Costs as a % of sales								
COGS	55.1	55.1	2 bps	56.1	-103 bps	56.6	58.8	-224 bps
Gross margin (%)	44.9	44.9	-3 bps	43.9	102 bps	43.4	41.2	223 bps
Staff cost	4.0	4.2	-26 bps	4.7	-69 bps	4.2	4.0	18 bps
Other opex	21.6	20.8	78 bps	19.9	164 bps	20.3	19.8	51 bps
EBITDA margin (%)	19.4	19.9	-56 bps	19.3	5 bps	18.9	17.4	153 bps
Income tax rate (%)	26.8	26.9	-7 bps	26.6	24 bps	26.7	27.0	-33 bps

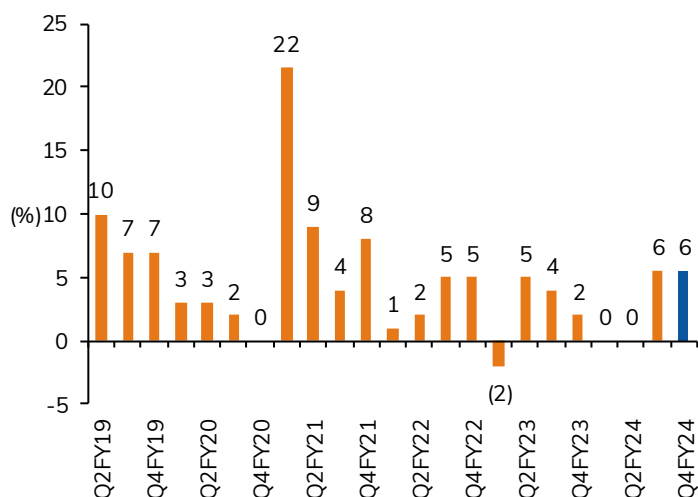
Source: Company data, I-Sec research

Exhibit 2: Q4FY24 results review (Standalone)

INR mn	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Net revenue	39,242	38,947	1	41,024	(4)	1,61,861	1,56,184	4
COGS	(22,269)	(22,158)	0	(23,682)	(6)	(94,281)	(94,554)	(0)
Gross profit	16,974	16,789	1	17,341	(2)	67,580	61,630	10
Staff cost	(1,249)	(1,365)	(9)	(1,632)	(23)	(5,653)	(5,206)	9
Other opex	(8,021)	(7,477)	7	(7,781)	3	(31,219)	(29,007)	8
Total opex	(9,270)	(8,843)	5	(9,413)	(2)	(36,872)	(34,213)	8
EBITDA	7,704	7,947	(3)	7,929	(3)	30,708	27,418	12
Other income	552	532	4	496	11	2,101	2,206	(5)
Finance Cost	(258)	(296)	(13)	(292)	(12)	(1,514)	(1,550)	(2)
D&A	(727)	(575)	26	(707)	3	(2,712)	(1,951)	39
PBT	7,270	7,608	(4)	7,425	(2)	28,583	26,123	9
Tax	(1,969)	(2,027)	(3)	(2,013)	(2)	(7,734)	(7,008)	10
Recurring PAT	5,302	5,582	(5)	5,413	(2)	20,850	19,116	9
EPS (Rs)	22.0	23.2	(5)	22.5	(2)	86.5	79.4	9
Cost as a % of sales								
COGS	56.7	56.9	-15 bps	57.7	-99 bps	58.2	60.5	-230 bps
Gross margin (%)	43.3	43.1	14 bps	42.3	98 bps	41.8	39.5	229 bps
Staff cost	3.2	3.5	-33 bps	4.0	-80 bps	3.5	3.3	15 bps
Other opex	20.4	19.2	124 bps	19.0	147 bps	19.3	18.6	71 bps
EBITDA margin (%)	19.6	20.4	-78 bps	19.3	30 bps	19.0	17.6	141 bps
Income tax rate (%)	27.1	26.6	44 bps	27.1	-3 bps	27.1	26.8	23 bps

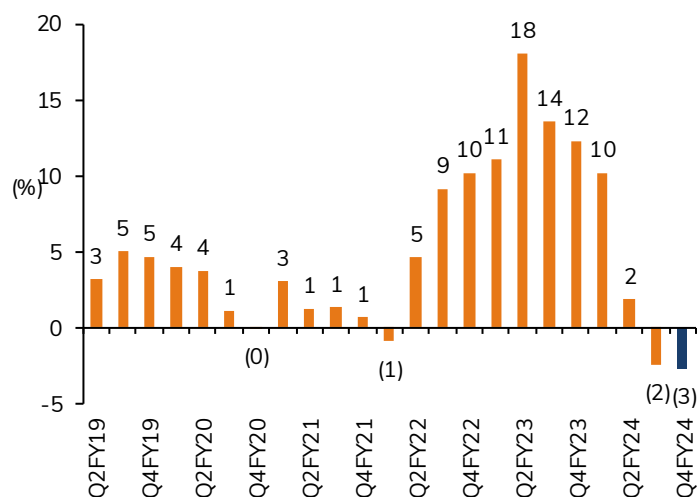
Source: Company data, I-Sec research

Exhibit 3: Volume growth



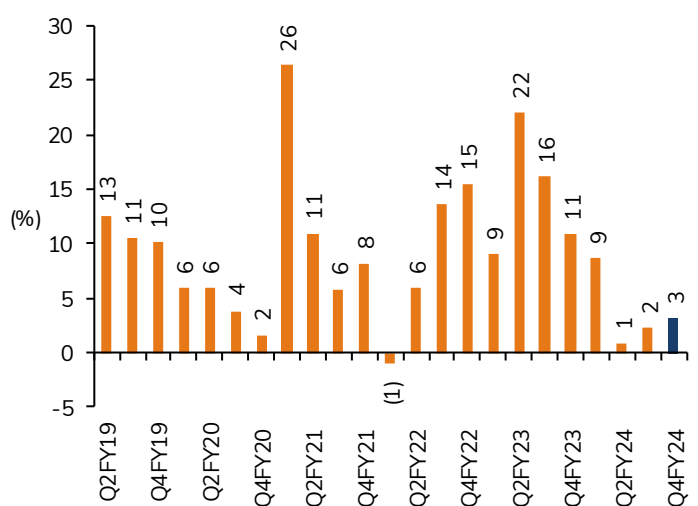
Source: Company data, I-Sec research

Exhibit 4: Price / mix growth



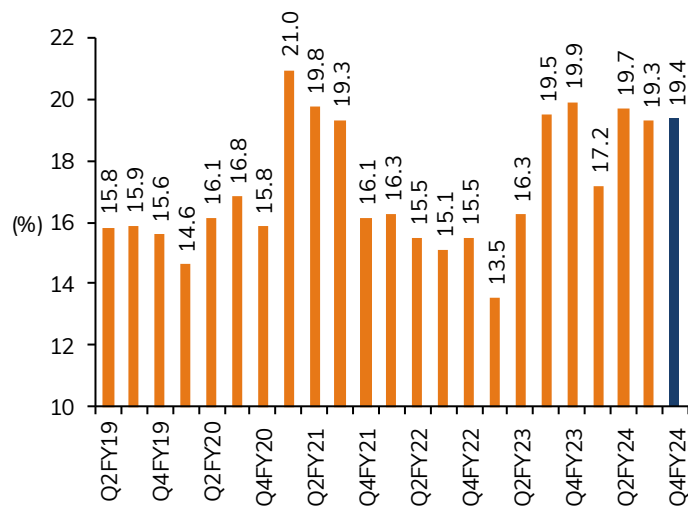
Source: Company data, I-Sec research

Exhibit 5: Consolidated revenue growth



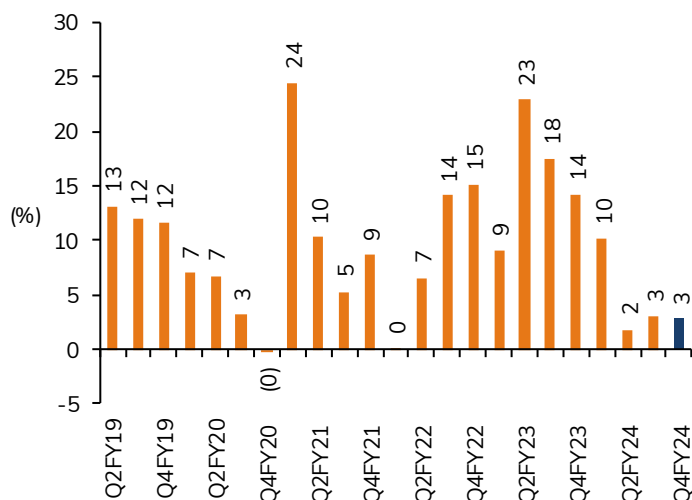
Source: Company data, I-Sec research

Exhibit 6: Consolidated EBITDA margin



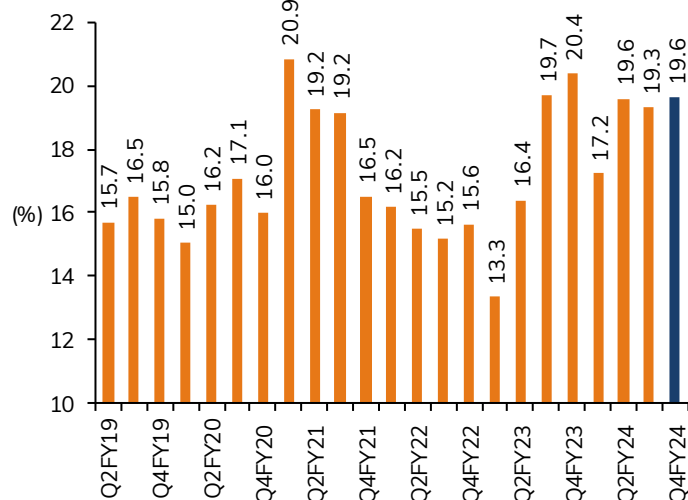
Source: Company data, I-Sec research

Exhibit 7: Standalone revenue growth



Source: Company data, I-Sec research

Exhibit 8: Standalone EBITDA margin



Source: Company data, I-Sec research

Exhibit 9: Shareholding pattern

%	Sep'23	Dec'23	Mar'24
Promoters	50.6	50.6	50.6
Institutional investors	33.6	34.0	34.0
MFs and others	5.7	5.6	6.5
FIs/Banks	2.4	3.4	3.3
FIIIs	25.5	25.0	24.2
Others	15.8	15.4	15.4

Source: Bloomberg

Exhibit 10: Price chart



Source: Bloomberg

Financial Summary

Exhibit 11: Profit & Loss

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Net Sales	1,59,849	1,65,462	1,82,100	2,02,671
Operating Expenses	1,34,696	1,35,994	1,49,676	1,66,531
EBITDA	28,309	31,698	34,877	38,838
EBITDA Margin (%)	17.7	19.2	19.2	19.2
Depreciation & Amortization	2,259	3,005	3,471	4,052
EBIT	26,050	28,694	31,406	34,786
Interest expenditure	1,691	1,640	1,057	838
Other Non-operating Income	2,159	2,142	2,190	2,321
Recurring PBT	26,518	29,196	32,539	36,269
Profit / (Loss) from Associates	54	(32)	(32)	(32)
Less: Taxes	7,165	7,793	8,372	9,093
PAT	19,353	21,403	24,167	27,176
Less: Minority Interest	55	56	56	56
Extraordinaries (Net)	3,756	(29)	-	-
Net Income (Reported)	23,163	21,342	24,135	27,144
Net Income (Adjusted)	19,462	21,427	24,191	27,200

Source Company data, I-Sec research

Exhibit 12: Balance sheet

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Total Current Assets	47,462	48,487	49,857	60,791
of which cash & cash eqv.	19,990	21,429	20,155	27,820
Total Current Liabilities & Provisions	27,032	29,443	32,277	35,780
Net Current Assets	20,430	19,044	17,580	25,011
Investments	15,639	10,977	10,977	10,977
Net Fixed Assets	24,864	26,138	27,098	27,134
ROU Assets	-	-	-	-
Capital Work-in-Progress	1,050	1,875	1,875	1,875
Total Intangible Assets	1,282	1,298	1,298	1,298
Long Term Loans & Advances	2,658	1,521	1,606	1,711
Deferred Tax assets	-	-	-	-
Total Assets	65,923	60,854	60,435	68,006
Liabilities				
Borrowings	29,805	20,412	13,412	13,412
Deferred Tax Liability	(554)	(418)	(418)	(418)
Provisions	256	306	336	374
Other Liabilities	770	894	984	1,095
Equity Share Capital	241	241	241	241
Reserves & Surplus	35,102	39,174	45,659	53,105
Total Net Worth	35,343	39,415	45,900	53,346
Minority Interest	302	245	221	197
Total Liabilities	65,923	60,854	60,435	68,006

Source Company data, I-Sec research

Exhibit 13: Quarterly trend

(INR mn, year ending March)

	Jun-23	Sep-23	Dec-23	Mar-24
Net Sales	40,107	44,329	42,563	40,694
% growth (YOY)	8.6	0.8	2.2	3.1
EBITDA	6,889	8,724	8,211	7,875
Margin %	17.2	19.7	19.3	19.4
Other Income	539	524	506	573
Extraordinaries	-	-	(29)	-
Adjusted Net Profit	4,576	5,876	5,564	5,383

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY23A	FY24A	FY25E	FY26E
Operating Cashflow	25,262	25,730	27,331	30,685
Working Capital Changes	4,057	1,611	225	279
Capital Commitments	(7,115)	(5,615)	(4,431)	(4,088)
Free Cashflow	18,148	20,115	22,901	26,597
Other investing cashflow	(8,056)	10,370	1,588	1,661
Cashflow from Investing Activities	(15,171)	4,755	(2,842)	(2,428)
Issue of Share Capital	-	-	-	-
Interest Cost	(1,963)	(1,649)	(1,057)	(838)
Inc (Dec) in Borrowings	5,272	(9,331)	(7,000)	-
Dividend paid	(13,592)	(17,325)	(17,706)	(19,754)
Others	-	-	-	-
Cash flow from Financing Activities	(10,284)	(28,305)	(25,763)	(20,592)
Chg. in Cash & Bank balance	(92)	2,193	(1,261)	7,678
Closing cash & balance	1,024	3,228	1,954	9,619

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY23A	FY24A	FY25E	FY26E
Per Share Data (INR)				
Reported EPS	80.8	88.9	100.4	112.9
Adjusted EPS (Diluted)	80.8	88.9	100.4	112.9
Cash EPS	90.2	101.4	114.8	129.7
Dividend per share (DPS)	72.0	73.5	82.0	91.5
Book Value per share (BV)	146.7	163.6	190.5	221.4
Dividend Payout (%)	89.1	82.6	81.7	81.0
Growth (%)				
Net Sales	14.6	3.5	10.1	11.3
EBITDA	28.6	12.0	10.0	11.4
EPS (INR)	27.6	10.1	12.9	12.4
Valuation Ratios (x)				
P/E	58.7	53.3	47.2	42.0
P/CEPS	52.6	46.8	41.3	36.6
P/BV	32.3	29.0	24.9	21.4
EV / EBITDA	40.7	36.0	32.6	29.1
P / Sales	7.2	6.9	6.3	5.6
Dividend Yield (%)	1.5	1.5	1.7	1.9
Operating Ratios				
Gross Profit Margins (%)	42.0	44.0	44.2	44.2
EBITDA Margins (%)	17.7	19.2	19.2	19.2
Effective Tax Rate (%)	27.0	26.7	25.7	25.1
Net Profit Margins (%)	12.2	12.9	13.3	13.4
Net Debt / Equity (x)	0.3	0.0	(0.1)	(0.3)
Net Debt / EBITDA (x)	0.3	0.0	(0.2)	(0.4)
Fixed Asset Turnover (x)	4.8	4.0	4.0	4.1
Working Capital Days	1	(5)	(5)	(5)
Inventory Turnover Days	29	26	27	27
Receivables Days	8	9	9	9
Payables Days	35	36	37	37
Profitability Ratios				
RoCE (%)	32.8	33.5	39.0	41.2
RoE (%)	63.3	56.9	56.4	54.6
RoIC (%)	62.6	73.2	83.2	92.2

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, **E-mail Address** : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](#) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
