

June 3, 2020

Q4FY20 Result Update

☑ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY21E	FY22E	FY21E	FY22E
Rating	BUY		BUY	
Target Price	3,744		3,744	
Sales (Rs. m)	1,27,207	1,41,850	1,22,169	1,36,401
% Chng.	4.1	4.0		
EBITDA (Rs. m)	21,735	25,272	20,631	23,947
% Chng.	5.3	5.5		
EPS (Rs.)	67.6	78.0	67.0	78.8
% Chng.	0.9	(1.0)		

Key Financials - Standalone

Y/e Mar	FY19	FY20	FY21E	FY22E
Sales (Rs. m)	1,04,825	1,09,867	1,27,207	1,41,850
EBITDA (Rs. m)	16,621	17,707	21,735	25,272
Margin (%)	15.9	16.1	17.1	17.8
PAT (Rs. m)	11,222	14,653	16,265	18,757
EPS (Rs.)	46.7	60.9	67.6	78.0
Gr. (%)	16.6	30.5	11.0	15.3
DPS (Rs.)	15.0	35.0	35.0	40.0
Yield (%)	0.4	1.0	1.0	1.1
RoE (%)	30.9	35.2	34.5	33.1
RoCE (%)	41.8	34.0	34.2	36.7
EV/Sales (x)	7.9	7.6	6.5	5.8
EV/EBITDA (x)	49.7	47.2	38.2	32.5
PE (x)	75.2	57.6	51.9	45.0
P/BV (x)	20.9	19.7	16.4	13.6

Key Data

BRIT.BO | BRIT IN

52-W High / Low	Rs.3,705 / Rs.2,100
Sensex / Nifty	34,110 / 10,062
Market Cap	Rs.844bn/ \$ 11,184m
Shares Outstanding	240m
3M Avg. Daily Value	Rs.5511.76m

Shareholding Pattern (%)

Promoter's	50.63
Foreign	15.79
Domestic Institution	13.56
Public & Others	20.02
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	10.9	15.2	18.2
Relative	9.6	37.3	39.5

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Turns COVID challenge into an opportunity!

Quick Pointers:

- COVID impacts 4Q sales and profits by 7-10%
- Strong execution and distribution enables 24% sales growth in AMFY21

Even as BRIT suffered revenue and PAT impact of 7-10% for 4QFY20 due to COVID, AMFY21 has shown 24% topline growth due to speedy action taken by the company to improve production, product availability and distribution efficiency. We believe BRIT will emerge stronger post COVID as strong brands, distribution, more in-house consumption and focus on product hygiene will enable sustain double digit sales growth. BRIT is in a sweet spot as benign input costs (RPO, Milk and Wheat) and strong volumes will enable 170bps margin expansion over FY20-22 despite higher cost of freight and other COVID related expenses.

BRIT's long term growth story remains intact given 1) distribution expansion in Rural India and Hindi heartland 2) Innovation and renovation of Biscuits portfolio 3) success in cream wafers, Milkshakes and salted snacks and 4) accelerated cost efficiency program during COVID. Despite assuming higher sales growth of 15.8% and 11.5% for FY21 and FY22, and margin expansion our EPS estimates largely remain same given higher dividend payout (>50% v/s 37.5% earlier), lower other income and higher tax rate (22.4% in FY20). Retain BUY with SOTP based target price of Rs3744 (45x FY22 Standalone).

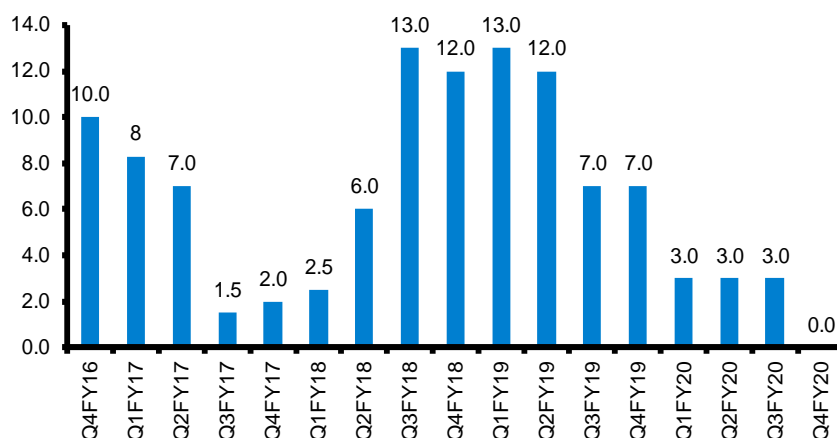
Concall Takeaways: 1) AM21 volumes up 24% due to speed of production and distribution restoration, increased in-house consumption and consumer focus on trusted brands and products 2) Good day and Marie Gold have gained market share all across. BRIT gained market share from both organized and unorganized players. 3) BRIT applied 80:20 rule in last 2 months and focused on 20% of the brands which accounted for 80% of volumes, which also enabled neutralize rising costs. BRIT has started restoring production of variety from June2020. 4) Currently operating at more than 100% utilization. 5) Supply chain efficiency has increased as distance travelled reduced to 280kms from 370kms. 6) Jan and Feb witnessed uptick in demand, However, once the Covid dust settles this demand will come back faster, especially in rural areas. 7) Prices of milk and palm oil are softening due to weak global demand which is likely to aid gross margins. 8) ICD to group companies has not changed at Rs4.5bn. 9) Capex for FY21 likely to be Rs 2-3bn 10) Cream wafers and salted snacks have done well, croissants 11) BRIT looking at setting up plant in UP as it has low share in largest market of biscuits.

Sales up 0.9%, Adj PAT up 31.6% due to lower tax rate: Standalone Net sales increased 0.9% YoY to Rs 26.9bn. Gross margins contracted 250bps to 38.4%. EBITDA increased 1.9% YoY to Rs 4.3bn and EBITDA margins expanded 20bps to 16% as contraction in GM was offset by lower other expenses (310bps). PBT increased 0.4% to Rs 4.5bn. Adj. PAT increased 31.6% YoY to Rs 3.81bn on account of low tax rate (14.4%). Subsidiary sales were up 34% YoY to Rs 1.8bn while loss of Rs 86m vs profit of Rs 49m in 4QFY19. While Middle East continues to be challenging, Rest of International business grew in high double digits.

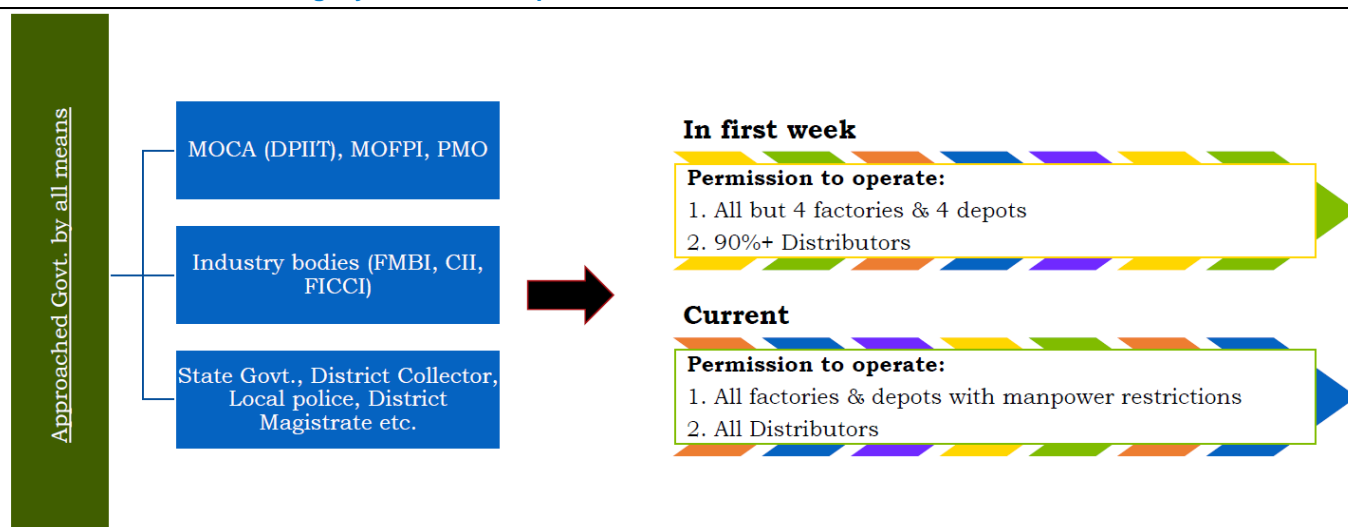
Exhibit 1: 4QFY20 Result Overview: Sales up marginally, Adj PAT up 31.6% due to lower tax rate

Y/e March (Rs m)	Q4FY20	Q4FY19	YoY gr. (%)	Q3FY20	FY20	FY19	YoY gr. (%)
Net Sales	26,919	26,681	0.9	28,192	1,09,867	1,04,825	4.8
Gross Profit	10,329	10,912	(5.3)	11,241	43,290	42,048	3.0
<i>Margins (%)</i>	<i>38.4</i>	<i>40.9</i>		<i>39.9</i>	<i>39.4</i>	<i>40.1</i>	
Other Expenses	6,027	6,689	(9.9)	6,423	25,584	25,427	0.6
<i>% of Sales</i>	<i>22.4</i>	<i>25.1</i>		<i>22.8</i>	<i>23.3</i>	<i>24.3</i>	
EBITDA	4,303	4,222	1.9	4,818	17,706	16,621	6.5
<i>Margins (%)</i>	<i>16.0</i>	<i>15.8</i>		<i>17.1</i>	<i>16.1</i>	<i>15.9</i>	
Depreciation	393	363	8.4	384	1,517	1,350	12.4
Interest	207	3		221	652	15	
Other Income	752	583	29.0	646	3,356	1,905	76.1
PBT	4,455	4,439	0.4	4,858	18,893	17,161	10.1
Tax	643	1,542	(58.3)	1,254	4,240	5,939	(28.6)
<i>Tax Rate (%)</i>	<i>14.4</i>	<i>34.7</i>		<i>25.8</i>	<i>22.4</i>	<i>34.6</i>	
Adjusted PAT	3,812	2,897	31.6	3,604	14,653	11,222	30.6

Source: Company, PL

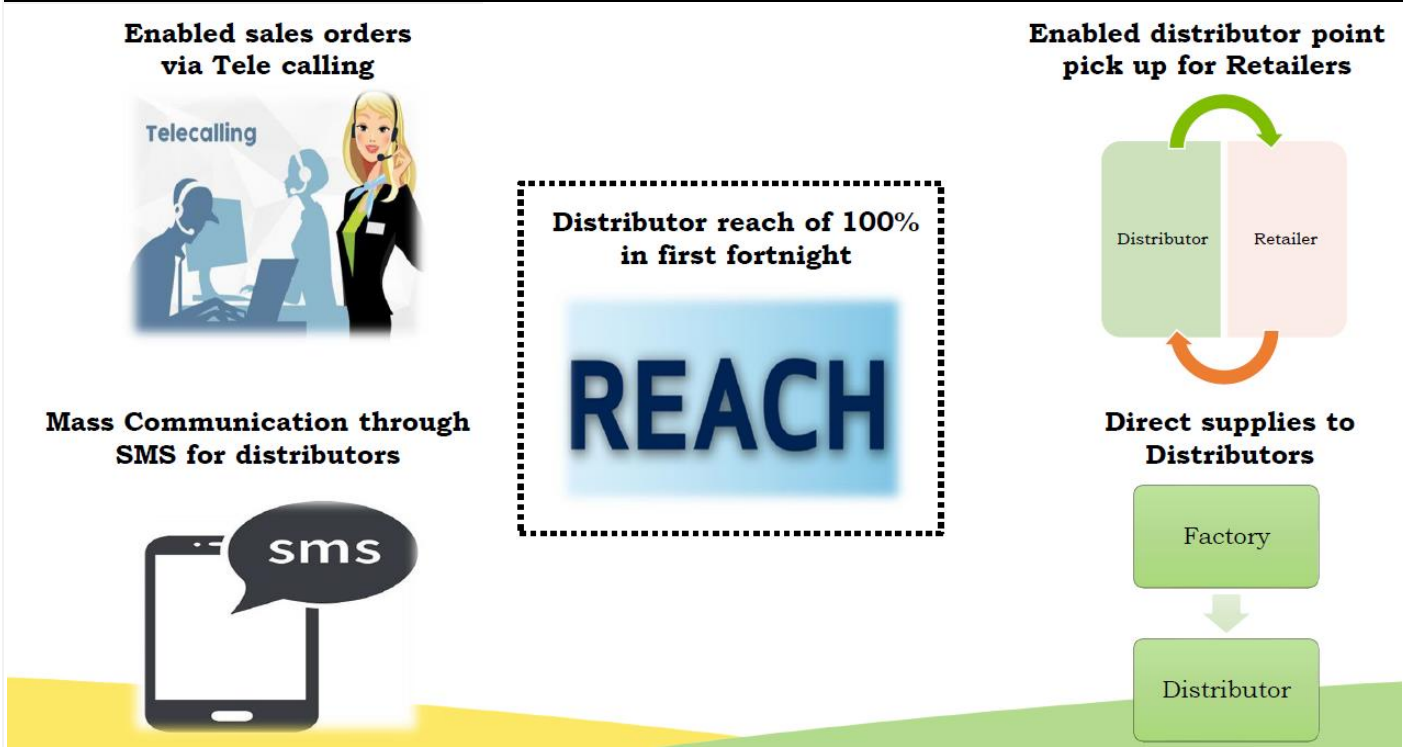
Exhibit 2: 4Q volume growth estimated to be flattish


Source: Company, PL

Exhibit 3: BRIT Moved with agility to commence production


Source: Company, PL

Exhibit 4: BRIT undertook direct supply to retailers and tele orders during COVID crisis



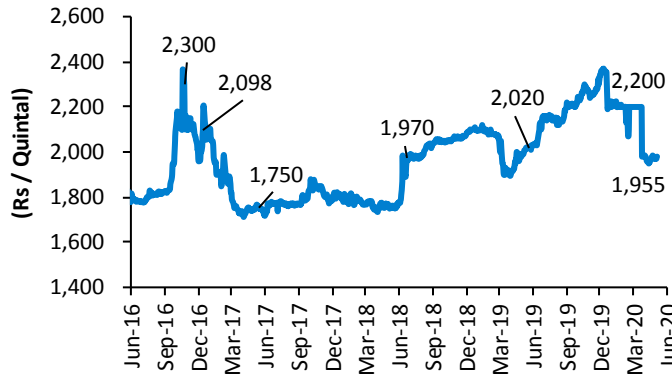
Source: Company, PL

Exhibit 5: BRIT has undertaken cost rationalization to neutralize higher costs during COVID 19



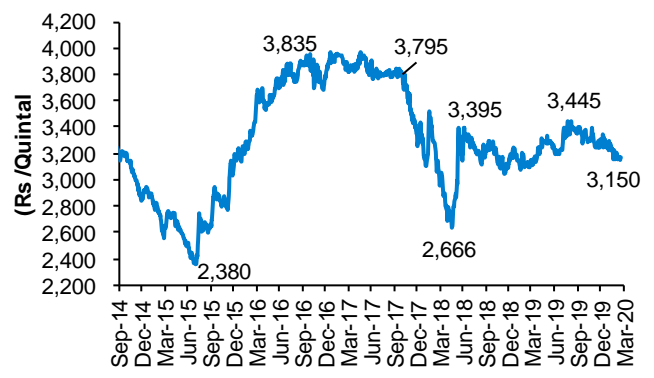
Source: Company, PL

Exhibit 6: Wheat prices softened by 10% after peaking out



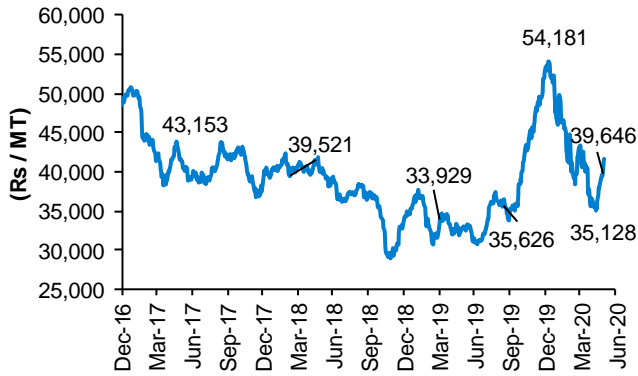
Source: Company, PL

Exhibit 7: Sugar prices started softening at end of March



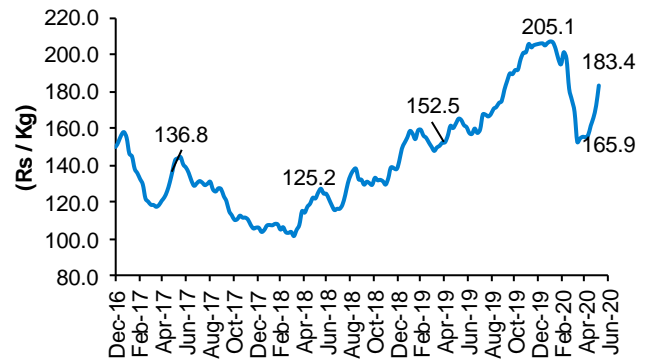
Source: Company, PL

Exhibit 8: Palm oil prices softened from peak



Source: Company, PL

Exhibit 9: SMP prices down 18% QoQ after March 20



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Net Revenues	1,04,825	1,09,867	1,27,207	1,41,850
YoY gr. (%)	12.7	4.8	15.8	11.5
Cost of Goods Sold	62,776	66,577	76,079	84,475
Gross Profit	42,048	43,290	51,128	57,375
Margin (%)	40.1	39.4	40.2	40.4
Employee Cost	3,216	3,689	4,079	4,479
Other Expenses	5,985	5,704	6,991	7,487
EBITDA	16,621	17,707	21,735	25,272
YoY gr. (%)	16.4	6.5	22.7	16.3
Margin (%)	15.9	16.1	17.1	17.8
Depreciation and Amortization	1,350	1,517	1,797	1,974
EBIT	15,271	16,190	19,938	23,298
Margin (%)	14.6	14.7	15.7	16.4
Net Interest	15	652	797	242
Other Income	1,905	3,354	2,663	2,088
Profit Before Tax	17,161	18,893	21,803	25,144
Margin (%)	16.4	17.2	17.1	17.7
Total Tax	5,939	4,240	5,538	6,387
Effective tax rate (%)	34.6	22.4	25.4	25.4
Profit after tax	11,222	14,653	16,265	18,757
Minority interest	-	-	-	-
Share Profit from Associate	-	-	-	-
Adjusted PAT	11,222	14,653	16,265	18,757
YoY gr. (%)	16.7	30.6	11.0	15.3
Margin (%)	10.7	13.3	12.8	13.2
Extra Ord. Income / (Exp)	-	190	-	-
Reported PAT	11,222	14,843	16,265	18,757
YoY gr. (%)	18.8	32.3	9.6	15.3
Margin (%)	10.7	13.5	12.8	13.2
Other Comprehensive Income	(21)	(46)	-	-
Total Comprehensive Income	11,201	14,797	16,265	18,757
Equity Shares O/s (m)	240	241	241	241
EPS (Rs)	46.7	60.9	67.6	78.0

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
Non-Current Assets				
Gross Block	21,961	24,867	27,412	29,962
Tangibles	21,583	24,427	26,927	29,427
Intangibles	378	441	486	536
Acc: Dep / Amortization	8,685	10,262	12,059	14,033
Tangibles	8,383	9,905	11,656	13,579
Intangibles	302	357	403	454
Net fixed assets	13,276	14,605	15,354	15,930
Tangibles	13,200	14,522	15,271	15,848
Intangibles	76	84	83	82
Capital Work In Progress	649	389	889	1,389
Goodwill	-	-	-	-
Non-Current Investments	11,607	24,894	25,612	25,828
Net Deferred tax assets	(39)	(110)	(87)	(188)
Other Non-Current Assets	295	593	164	189
Current Assets				
Investments	17,117	19,528	23,375	25,330
Inventories	7,189	6,335	8,912	9,937
Trade receivables	3,510	2,422	3,971	4,234
Cash & Bank Balance	405	392	930	662
Other Current Assets	2,438	3,324	3,138	3,499
Total Assets	56,491	72,533	82,382	86,948
Equity				
Equity Share Capital	240	241	241	241
Other Equity	40,154	42,506	51,320	61,659
Total Network	40,395	42,747	51,560	61,900
Non-Current Liabilities				
Long Term borrowings	3	7,221	7,214	4
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	19	4,800	3,200	3,000
Trade payables	10,325	9,560	11,822	12,764
Other current liabilities	5,480	7,791	8,266	8,943
Total Equity & Liabilities	56,491	72,533	82,382	86,948

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY19	FY20	FY21E	FY22E
PBT	17,161	18,893	21,803	25,144
Add. Depreciation	1,350	1,517	1,797	1,974
Add. Interest	15	652	797	242
Less Financial Other Income	1,905	3,354	2,663	2,088
Add. Other	(3,276)	(5,413)	(4,472)	(4,086)
Op. profit before WC changes	15,251	15,649	19,926	23,274
Net Changes-WC	(1,185)	219	(5,109)	(1,982)
Direct tax	(5,939)	(4,240)	(5,538)	(6,387)
Net cash from Op. activities	8,126	11,628	9,278	14,905
Capital expenditures	(2,960)	(2,586)	(3,045)	(3,050)
Interest / Dividend Income	1,816	2,704	2,645	2,070
Others	(5,243)	(12,081)	-	-
Net Cash from Inv. activities	(6,387)	(11,963)	(400)	(980)
Issue of share cap. / premium	1,560	(6,680)	2,592	1,876
Debt changes	(204)	12,000	(1,607)	(7,410)
Dividend paid	(3,619)	(4,346)	(8,418)	(8,418)
Interest paid	(15)	(652)	(797)	(242)
Others	-	-	-	-
Net cash from Fin. activities	(2,278)	322	(8,230)	(14,193)
Net change in cash	(539)	(13)	648	(269)
Free Cash Flow	5,167	9,042	6,233	11,855

Source: Company Data, PL Research

Key Financial Metrics

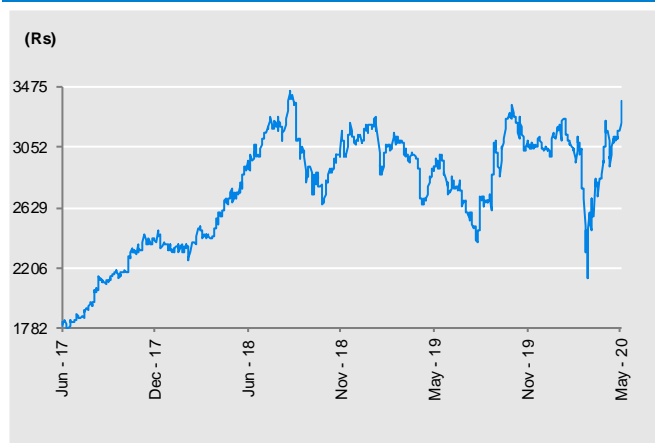
Y/e Mar	FY19	FY20	FY21E	FY22E
Per Share(Rs)				
EPS	46.7	60.9	67.6	78.0
CEPS	52.3	67.2	75.1	86.2
BVPS	168.1	177.7	214.4	257.4
FCF	21.5	37.6	25.9	49.3
DPS	15.0	35.0	35.0	40.0
Return Ratio(%)				
RoCE	41.8	34.0	34.2	36.7
ROIC	39.2	30.8	34.3	38.2
RoE	30.9	35.2	34.5	33.1
Balance Sheet				
Net Debt : Equity (x)	(0.4)	(0.2)	(0.3)	(0.4)
Net Working Capital (Days)	1	(3)	3	4
Valuation(x)				
PER	75.2	57.6	51.9	45.0
P/B	20.9	19.7	16.4	13.6
P/CEPS	67.1	52.2	46.7	40.7
EV/EBITDA	49.7	47.2	38.2	32.5
EV/Sales	7.9	7.6	6.5	5.8
Dividend Yield (%)	0.4	1.0	1.0	1.1

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY20	Q2FY20	Q3FY20	Q4FY20
Net Revenue	25,795	28,961	28,192	26,919
YoY gr. (%)	7.2	7.1	4.3	0.9
Raw Material Expenses	15,487	17,549	16,951	16,590
Gross Profit	10,307	11,412	11,241	10,329
Margin (%)	40.0	39.4	39.9	38.4
EBITDA	3,882	4,704	4,818	4,303
YoY gr. (%)	5.6	10.8	8.0	1.9
Margin (%)	15.0	16.2	17.1	16.0
Depreciation / Depletion	373	367	384	393
EBIT	3,509	4,337	4,433	3,910
Margin (%)	13.6	15.0	15.7	14.5
Net Interest	83	140	221	207
Other Income	655	1,302	646	752
Profit before Tax	4,081	5,499	4,858	4,455
Margin (%)	15.8	19.0	17.2	16.5
Total Tax	1,419	923	1,254	643
Effective tax rate (%)	34.8	16.8	25.8	14.4
Profit after Tax	2,662	4,576	3,604	3,812
Minority interest	-	-	-	-
Share Profit from Associates	-	-	-	-
Adjusted PAT	2,662	4,576	3,604	3,812
YoY gr. (%)	8.1	61.4	19.0	31.6
Margin (%)	10.3	15.8	12.8	14.2
Extra Ord. Income / (Exp)	(161)	350	-	-
Reported PAT	2,501	4,926	3,604	3,812
YoY gr. (%)	1.6	73.7	19.0	31.6
Margin (%)	9.7	17.0	12.8	14.2
Other Comprehensive Income	-	-	-	(43)
Total Comprehensive Income	2,501	4,926	3,604	3,769
Avg. Shares O/s (m)	240	240	240	241
EPS (Rs)	11.1	19.1	15.0	15.8

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	15-Apr-20	BUY	3,744	2,837
2	10-Feb-20	BUY	3,725	3,156
3	03-Jan-20	Accumulate	3,433	3,039
4	15-Nov-19	Accumulate	3,433	3,196
5	03-Oct-19	Accumulate	3,307	2,903
6	09-Aug-19	Accumulate	3,068	2,602
7	04-Jul-19	Accumulate	3,145	2,841

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Asian Paints	Accumulate	1,687	1,651
2	Avenue Supermarts	Reduce	1,658	2,398
3	Britannia Industries	BUY	3,744	2,837
4	Colgate Palmolive	Reduce	1,224	1,313
5	Crompton Greaves Consumer Electricals	BUY	267	199
6	Dabur India	Hold	422	431
7	Emami	Hold	285	227
8	Future Retail	Under Review	-	332
9	GlaxoSmithKline Consumer Healthcare	Hold	9,377	9,247
10	Havells India	Reduce	485	511
11	Hindustan Unilever	Hold	2,017	2,195
12	ITC	BUY	250	189
13	Jubilant FoodWorks	Hold	1,392	1,530
14	Kansai Nerolac Paints	BUY	486	360
15	Marico	Hold	318	284
16	Nestle India	Reduce	13,127	17,462
17	Pidilite Industries	Hold	1,327	1,349
18	Titan Company	Hold	844	892
19	Voltas	Accumulate	564	539

PL's Recommendation Nomenclature (Absolute Performance)

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly



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